

Q2 2021

PRESS RELEASE

21 JULY 2021



Q2 2021 – Record orders and cash flow, revenues and EBIT stable between quarters

EXECUTIVE SUMMARY

Financial highlights Q2 2021

- Record orders received and strong order book, orders for poultry were at a strong level, meat were in line with expectations and fish were at record levels.
- Pipeline building up across all industries and processing stages.
- Profitability at similar levels as Q1 2021, hampered by supply chain and logistics costs, as well as step up in sales and service coverage ahead of the growth curve.

- Orders received were EUR 371.3m (2Q20: 280.1m).
- The order book was EUR 499.1m (1Q21: 455.3m, 2Q20: 439.0m).
- Revenues were EUR 327.5m (2Q20: 305.7m).
- EBIT¹ was EUR 38.6m (2Q20: 45.0m), translating to an EBIT¹ margin of 11.8% (2Q20: 14.7%).
- Net result was EUR 23.3m (2Q20: 30.7m).
- Basic earnings per share (EPS) were EUR 3.14 cents (2Q20: 4.07 cents).
- Cash flow from operating activities before interest and tax was EUR 77.9m (2Q20: 63.1m).
- Free cash flow at EUR 54.6m (2Q20: 47.6m)
- Net debt/EBITDA was 0.8x at the end of June (1Q21: 0.8x, 2Q20: 0.6x).

Financial highlights 1H 2021

- Orders received were EUR 740.7m (1H20: 631.9m).
- Revenues were EUR 661.5m (1H20: 607.3m).
- EBIT¹ was EUR 76.6m (1H20: 70.4m), translating to an EBIT¹ margin of 11.6% (1H20: 11.6%).
- Net result was EUR 44.5m (1H20: 44.1m).
- Basic earnings per share (EPS) were EUR 5.95 cents (1H20: 5.82 cents).
- Cash flow from operating activities before interest and tax in the first six months was EUR 138.1m (1H20: 124.6m).
- Free cash flow at EUR 100.1m (1H20: 86.2m).

Arni Oddur Thordarson, CEO of Marel commented:

“The second quarter was a dynamic one for Marel, where the partnership between our passionate team, our customers and suppliers was paramount to our success.

For two sequential quarters, we’ve secured record orders received of around EUR 370 million each quarter. In the second quarter, Marel Poultry was back on track with strong orders received, orders in Marel Meat were in line with expectations, and Marel Fish delivered record orders where salmon was clearly on the menu. Revenues and gross margins are expected to pick-up on the back of a healthy order book and good product mix. The pipeline continues to build up in all industries.

Our operational results were soft in Q2 with EUR 328 million in revenues and EBIT close to 12%. In times of ever-changing market environment and shifting consumer behavior, agility is key. Ahead of the growth curve, we stepped up our local sales and service coverage worldwide and continued to introduce revolutionary solutions that will further transform the food processing industry. We’ve also taken great strides in remodeling our end-to-end spare parts delivery systems, focusing on automating and digitizing the process, just as our customers are doing in their business.

Continued investment in our platform and acquired growth are enabled by the strong cash flow. There was record operational cash flow in the quarter of EUR 78 million despite ramping up inventories to secure timely delivery.

Recent acquisitions are driving organic growth through cross- and upselling, transfer of technology, and accelerating the innovation roadmap. In the quarter, we secured landmark orders for a turkey greenfield in the US, and the first full-line tilapia plant in Brazil, both focused on quality and sustainability using highly automated and digitized solutions. We continue on that journey and in July we announced the agreement to acquire Valka to strengthen the full-line offering, increase scale and accelerate the innovation roadmap for the fish segment.

In strategic partnership, Marel and TOMRA, are developing a true game-changer in foreign material detection, the Marel Spectra. This revolutionary solution will meet Marel’s customers challenges head on to deliver contamination free, safe and sustainable food.

Our financials are strong, and we will continue to innovate, to form strategic partnerships with pioneers, and to undertake acquisitions to become the leading pure-play provider of full-line digitized processing solutions and services to the poultry, meat and fish industries. “

KEY FIGURES (EUR m)

2Q21	2Q20	Δ YoY	As per financial statements	6M21	6M20	Δ YoY
327.5	305.7	7.1%	Revenues	661.5	607.3	8.9%
118.6	114.2	3.9%	Gross profit	243.0	221.5	9.7%
36.2%	37.4%		Gross profit as a % of revenues	36.7%	36.5%	
38.6	45.0	-14.2%	Adjusted result from operations (Adjusted EBIT)	76.6	70.4	8.8%
11.8%	14.7%		EBIT ¹ as a % of revenues	11.6%	11.6%	
49.8	56.9	-12.5%	EBITDA	97.1	94.5	2.8%
15.2%	18.6%		EBITDA as a % of revenues	14.7%	15.6%	
(5.6)	(2.6)	115.4%	Non-IFRS adjustments	(13.5)	(5.2)	159.6%
33.0	42.4	-22.2%	Result from operations (EBIT)	63.1	65.2	-3.2%
10.1%	13.9%		EBIT as a % of revenues	9.5%	10.7%	
23.3	30.7	-24.1%	Net result	44.5	44.1	0.9%
7.1%	10.0%		Net result as a % of revenues	6.7%	7.3%	
371.3	280.1	32.6%	Orders Received	740.7	631.9	17.2%
499.1	439.0		Order Book ²	499.1	439.0	13.7%

2Q21	2Q20	Cash flows	6M21	6M20
77.9	63.1	Cash generated from operating activities, before interest & tax	138.1	124.6
67.3	53.4	Net cash from (to) operating activities	122.2	97.4
(20.7)	(10.3)	Investing activities	(52.4)	(20.8)
(63.6)	(584.0)	Financing activities	(67.0)	(222.2)
(17.0)	(540.9)	Net cash flow	2.8	(145.6)

Subsequent events

- Marel has agreed to acquire Valka ehf., an Icelandic provider of advanced processing solutions for the global fish industry. Subject to anti-trust and customary closing conditions.

- Valka is based in Iceland and Norway and has around EUR 17m in annual revenues and 105 employees.

Financial position	30/06 2021	31/12 2020
Net Debt (Including Lease liabilities)	182.3	205.2
Operational working capital ³	49.7	78.9

Key ratios	6M21	6M20
Current ratio	1.0	1.2
Quick ratio	0.6	0.8
Return on equity ⁴	9.3%	9.5%
Leverage ⁵	0.8	0.6
Number of outstanding shares (millions)	753.8	747.9
Market capitalization in EUR billion based on exchange rate at end of period	4.5	3.5
Basic earnings per share in EUR cents	5.95	5.82

FINANCIAL PERFORMANCE

Record orders received in the first half of the year

- Record orders received in 2Q21 of EUR 371.3m, with strong orders across all industries and all processing stages.
- Strong first half of the year with combined orders of EUR 740.7m in 1H21, up 17.2% from EUR 631.9m in 1H20.
- M&A continues to fuel organic growth and accelerate the innovation roadmap. In the quarter Marel secured important orders where a broader product portfolio following recent acquisitions of TREIF (meat and other), Curio (fish) and PMJ (poultry) were key.
- Marel Poultry secured a landmark order from Prestage Farms for a highly innovative and fully automated turkey processing plant, including multiple lines and the largest inline air chilling tunnel for turkeys in the US, focused on digitalization and sustainability to improve end-to-end traceability, nutrition and product quality.
- In the fish industry, the first full-line solution for tilapia was sold to C.Vale in Brazil, increasing flexibility to handle both fresh and frozen products, and optimizing the use of raw material, less water usage, less CO2 emissions and data collection to measure progress.
- Within prepared foods, orders for new avenues such as the pet market were secured in the second quarter.

Pipeline is strong across all industries and processing stages

- The pipeline for large greenfields and modernization projects is building up in all industries. Marel has stepped up market coverage and recently launched revolutionary solutions in consumer-ready products.
- The need for automation and digital solutions in the food value chain is driven by secular trends like population growth and urbanization. COVID-19 improved the outlook for automation in the animal protein industry and has been an accelerator for the underlying secular trends in terms of social distancing, access to labor and hygiene. In addition, shifting market dynamics and change in consumer behavior are also driving demand.

Revenues of EUR 328m with 40% solid recurring aftermarket revenues

- Revenues were EUR 327.5m in 2Q21, up by 7.1% YoY, down 1.9% QoQ.
- Aftermarket, comprising of services and spare parts, represented 40% of total revenues in the quarter (1Q21: 39%, 2Q20: 38%).

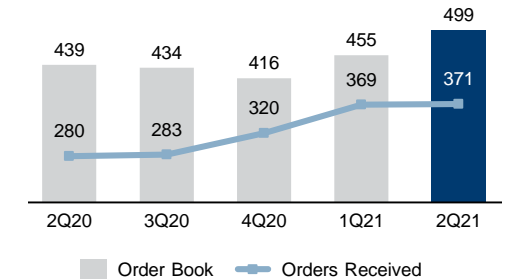
A strong order book and a book-to-bill ratio of 1.13 in the quarter

- The order book at end of June was EUR 499.1m (1Q21: 455.3m, 2Q20: 439.0m), representing 39% of 12-month trailing revenues.
- The book-to-bill ratio in the quarter was 1.13, compared to an average of 0.98 in the past four quarters (2Q20-1Q21).
- Greenfields, such as large equipment orders, and projects with longer lead times constitute the vast majority of the order book while services, spares and standard equipment have shorter lead times and run faster through the order book.

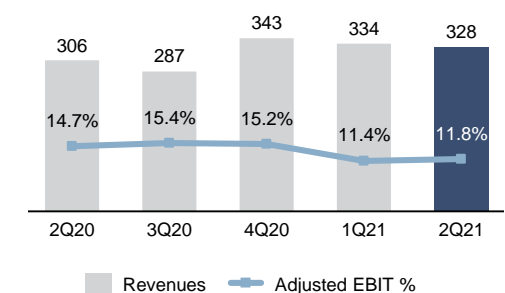
Profitability continues to be hampered by rising logistics costs, step up in sales and service coverage

- Gross profit margin was 36.2% in the quarter (2Q20: 37.4%) and gross profit was EUR 118.6m (2Q20: 114.2m). Margins impacted by increased costs due to mobility and logistical challenges, as well as faster rebound in the world economy than expected.
- COVID-19 continued to have an impact on 2Q21 results, both in terms of supply chain and efficiency of operations. Ensuring timely delivery and installation for customers during a period of significant challenges in mobility and logistics, led to higher costs in manufacturing, aftermarket and transportation.
- Decisive steps in 2Q21 in journey to transform spare parts handling with focus on investments in fulfillment centers and digitizing and automating the end-to-end parts handling to ensure shorter lead times.
- Sales and marketing (S&M) costs were at a level of 12.2% of revenues and reflect the step up in market coverage in line with plans to leverage global reach and digital solutions to drive organic growth.
- General administrative (G&A) costs were 6.2% of revenues and innovation cost was at the 6.1% strategic level.
- Marel is committed to the mid-term targets to achieve gross profit of 40%, SG&A of 18% and maintain the innovation investment at the 6% strategic level by year-end 2023.
- Marel does not adjust results for non-recurring costs, except for PPA and acquisition related costs.

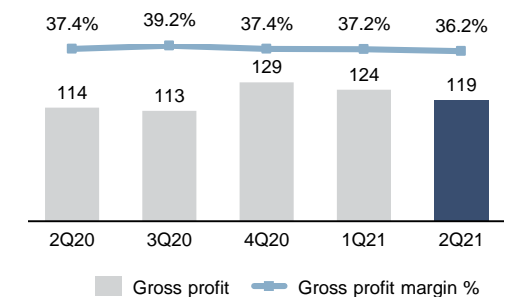
ORDER BOOK AND ORDERS RECEIVED EUR m



REVENUES AND ADJUSTED EBIT¹ EUR m, %



GROSS PROFIT EUR m, %



FINANCIAL PERFORMANCE

Continued focus on EBIT margin expansion

- EBIT¹ was EUR 38.6m (1Q21: 38.0m, 2Q20: 45.0m), translating to an EBIT¹ margin of 11.8% (1Q21: 11.4%, 2Q20: 14.7%).
- Profitability for Marel Poultry was lower as a result of soft orders for larger projects as stated in 1Q21 and high logistics costs to ensure timely delivery of projects, or 12.2% (2Q20: 19.8%). Strong orders received in 2Q21 and a strong pipeline in Marel Poultry supporting stronger volume and mix in coming quarters.
- Management continues to target medium and long-term EBIT margin expansion for Marel Meat and Marel Fish.

Robust cash flow generation to support continued investments

- Record operational cash flow mainly driven by down payments for new orders improving working capital.
- Strategic buildup of inventory to ensure timely delivery to customers of EUR 19.2m.
- Cash generated from operating activities in the quarter was EUR 77.9m (2Q20: 63.1m).
- Free cash flow in 2Q21 was EUR 54.6m (2Q20: 47.6m).
- Strong cash conversion supports continued investments in innovation, infrastructure and strategic inventory buildup.

Investments to support organic and strategic growth

- To best serve customer needs and capture growth opportunities from changing market dynamics, Marel is focusing on increasing digitalization and agility, leading to an increased level of investments in the coming years.
- Important initiatives identified, e.g. stepping up market coverage, innovation investments in digital solutions, and improvement projects to streamline the back end, as well as automating and digitizing the manufacturing platform, supply chain and aftermarket.
- In July, Marel will open a new demo center and sales and service office in Campinas, Brazil, with new facilities opening in Shanghai, China later in the year.

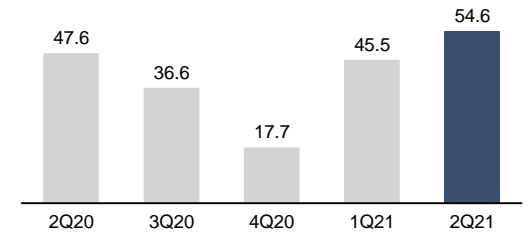
Low leverage ratio of 0.8x, strong financial position to support the 2017-2026 growth strategy

- Low leverage, committed liquidity of EUR 672.3m at the end of June, including fully committed all-senior funding in place until 2025, enables continued investment and will facilitate future strategic moves in the ongoing industry consolidation wave, in line with the company's 2017-2026 growth strategy.
- Over the quarter, a dividend of EUR 41.0m paid out in April, or 40% of net results (2020: 40%, 2019: 30%), in addition to a EUR 6.0m partial working capital settlement for the TREIF acquisition.
- Leverage was 0.8x at the end of 2Q21 (1Q21: 0.8x), well below the targeted capital structure of 2-3x.

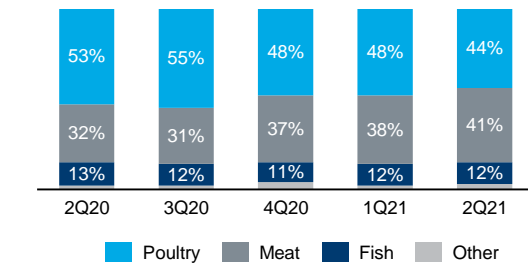
Subsequent events: Marel to acquire Valka, an innovative provider of advanced processing solutions for the global fish industry

- Marel aims to acquire 100% of Valka's share capital. An agreement has been reached to acquire over 90% of the share capital of Valka, and the remaining shareholders will be offered to sell their shares at the same terms.
- Valka is an Icelandic provider of advanced processing solutions for the global fish industry, and its product range includes waterjet cutting, trimming, and grading solutions for whitefish and salmon.
- Valka is based in Iceland and Norway and has around EUR 17 million in annual revenues and 105 employees.
- This transaction will strengthen Marel's full-line offering to the fish processing industry and increase scale to serve customer needs better. The shared technical know-how in the combined team will accelerate the innovation roadmap allowing fish processors swiftly adapt to a rapidly changing market.
- The transaction is subject to customary closing conditions, including anti-trust approval and is expected to be completed later this year.

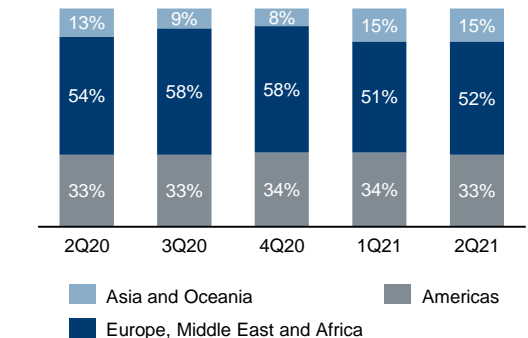
FREE CASH FLOW
EUR m



REVENUES BY INDUSTRY
%



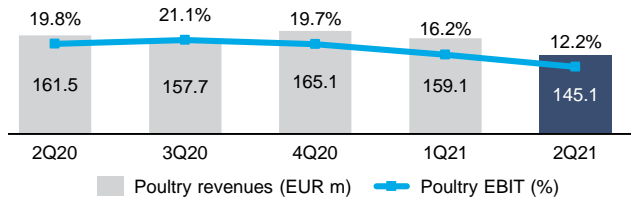
REVENUES BY GEOGRAPHY
%



INDUSTRY PERFORMANCE

MAREL POULTRY

2Q21: 44% of total revenues with 12.2% EBIT¹ margin

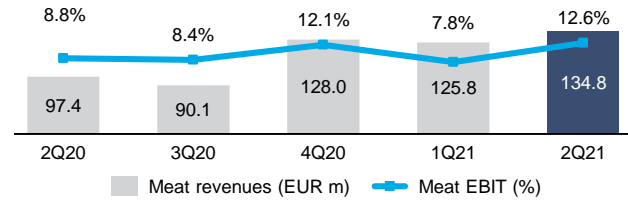


2Q21	2Q20	Change		6M21	6M20	Change
145.1	161.5	-10.2%	Revenues	304.2	312.6	-2.7%
17.7	32.0	-44.7%	Adjusted result from operations (Adjusted EBIT)	43.5	50.2	-13.3%
12.2%	19.8%		EBIT ¹ as a % of revenues	14.3%	16.1%	

- *Full-line offering* with one of the largest installed bases worldwide, focusing on roll-out of innovative products and market penetration through cross-selling of secondary and further processing solutions. Recent bolt-on acquisition of PMJ fueling organic growth in terms of new sales into the duck market.
- *Strategic partnership* between Marel and TOMRA, combining their respective expertise in food processing and cutting-edge vision technology to develop the Spectra, a uniquely valuable solution in foreign material detection that meets Marel customers' challenges head on.
- *Orders received* for Marel Poultry in 2Q21 and pipeline were strong across all processing steps, supporting stronger volume and mix in coming quarters. A landmark deal for a turkey greenfield with Prestage Farms in the US was secured in the quarter. Opening in 2022, the highly automated and digitized plant has end-to-end Marel state-of-the-art technology, including air-chilling and track and trace functionality covering the entire plant.
- *Revenues* in 2Q21 for Marel Poultry were EUR 145.1m, down 10.2% YoY.
- *EBIT in 2Q21* was EUR 17.7m (2Q20: 32.0m) and the EBIT margin was 12.2% (2Q20: 19.8%). Lower profitability for Marel Poultry as a result of soft orders for larger projects as stated in 1Q21 and high logistics costs of projects to ensure timely delivery to customers.

MAREL MEAT

2Q21: 41% of total revenues with 12.6% EBIT¹ margin

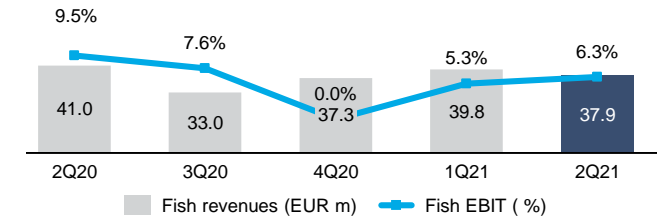


2Q21	2Q20	Change		6M21	6M20	Change
134.8	97.4	38.4%	Revenues	260.6	201.0	29.7%
17.0	8.6	97.7%	Adjusted result from operations (Adjusted EBIT)	26.8	13.2	103.0%
12.6%	8.8%		EBIT ¹ as a % of revenues	10.3%	6.6%	

- *Full-line offering* with focus on strong product development, increased standardization, modularization, market penetration and further cross- and upselling.
- *M&A*: Acquisitions fueling organic growth through cross-and upselling, and accelerating the innovation roadmap by cascading technology across industries.
- Newly launched solutions, SensorX Magna and Accuro, are gaining traction in line with higher focus on food safety and sustainability in consumer-ready products.
- *Orders received* in 2Q21 for Marel Meat were good across all processing steps with continued focus on a broader product portfolio following recent acquisitions. Pipeline remains strong.
- *Revenues* in 2Q21 for Marel Meat were EUR 134.8m, up by 38.4% YoY (2Q20: 97.4m).
- *EBIT* in 2Q21 was EUR 17.0m (2Q20: 8.6m) and EBIT margin of 12.6% (2Q20: 8.8%). Improved profitability in the quarter due to better project execution and product mix driven by increased sales coverage, and solution replication in large orders.
- Management continues to target medium and long-term EBIT margin expansion for Marel Meat, and has accelerated market coverage and operational improvement initiatives.

MAREL FISH

2Q21: 12% of total revenues with 6.3% EBIT¹ margin

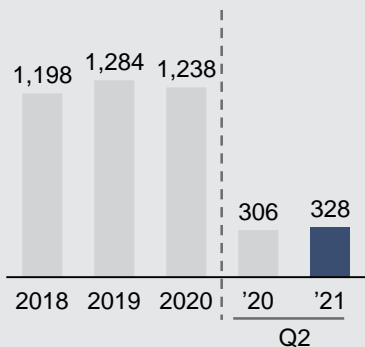


2Q21	2Q20	Change		6M21	6M20	Change
37.9	41.0	-7.6%	Revenues	77.7	80.4	-3.4%
2.4	3.9	-38.5%	Adjusted result from operations (Adjusted EBIT)	4.5	5.6	-19.6%
6.3%	9.5%		EBIT ¹ as a % of revenues	5.8%	7.0%	

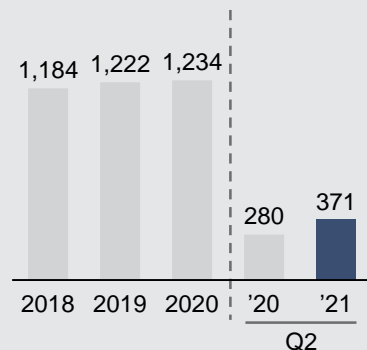
- *Objective to reach full-line offering* across farmed and wild whitefish and salmon through continued focus on innovation and M&A.
- *M&A*: Agreement to acquire Valka as a subsequent event, pending anti-trust and other customary closing conditions. Curio acquisition consolidated as of 4 Jan 2021. Salmon primary processing offering solidified through the strategic partnership with Stranda and 40% acquisition of their shares.
- Innovation roadmap accelerated to close certain application gaps to reach full-line offering for both salmon, as well as wild and farmed whitefish.
- *Orders received* in 2Q21 were at record level for Marel Fish. Pipeline for large projects is building up and conversion into orders is expected to pick up. Landmark order for tilapia processing with C.Vale in Brazil, focused on channel flexibility, and the optimal use of raw material, less water usage, less CO₂ emissions and data collection to measure progress.
- *Revenues* for Marel Fish in 2Q21 were EUR 37.9m (2Q20: 41.0m).
- *EBIT* in 2Q21 was EUR 2.4m (2Q20: 3.9m) and the EBIT margin was 6.3% (2Q20: 9.5%), higher volume is needed to deliver sufficient margin improvement.
- Management continues to target medium and long-term EBIT margin expansion for Marel Fish.

INTERIM KEY FIGURES & OUTLOOK

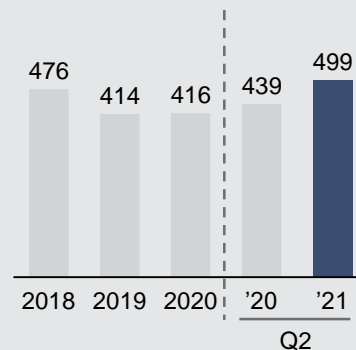
REVENUES
EUR m



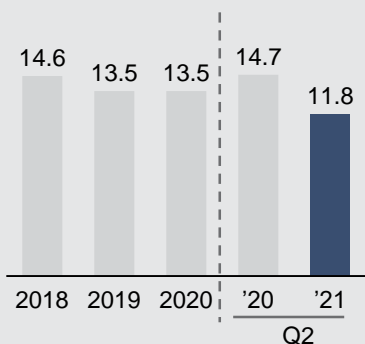
ORDERS RECEIVED
EUR m



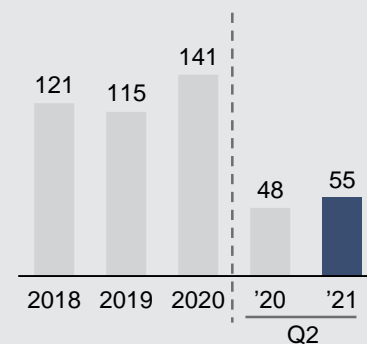
ORDER BOOK
EUR m



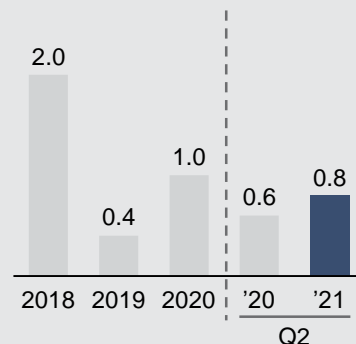
EBIT¹ MARGIN
%



FREE CASH FLOW
EUR m



LEVERAGE
Net debt/EBITDA



Outlook

- Market conditions have been challenging due to geopolitical uncertainty and the ongoing COVID-19 pandemic. Marel enjoys a balanced exposure to global economies and local markets through its global reach, innovative product portfolio and diversified business mix. At the moment it is not known what the full economic impact of COVID-19 will be on Marel in 2021.
- Marel is committed to achieve its mid- and long-term growth targets. Our strategic mid-term targets are to achieve gross profit around 40%, SG&A of around 18% and Innovation at the 6% strategic level by year-end 2023.
- In the period 2017-2026, Marel is targeting 12% average annual revenue growth through market penetration and innovation, complemented by strategic partnerships and acquisitions.
 - Marel's management expects average annual market growth of 4-6% in the long term. Marel aims to grow organically faster than the market, driven by innovation and growing market penetration.
 - Maintaining solid operational performance and strong cash flow is expected to support 5-7% revenues growth on average by acquisition.
 - Marel's management expects basic EPS to grow faster than revenues.
- 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.

INVESTOR RELATIONS

Virtual investor meeting and live webcast/conference call 22 July 2021

On Thursday 22 July 2021, at 8:30 am GMT (10:30 am CET), Marel will host a virtual investor meeting where CEO Arni Oddur Thordarson and CFO Linda Jonsdottir will give an overview of the financial results and operational highlights in the second quarter.

The virtual meeting will be webcast live on [marel.com/webcast](https://www.marel.com/webcast) and a recording will be available after the meeting on [marel.com/ir](https://www.marel.com/ir).

Conference call

Members of the investment community can join the conference call at:

IS: +354 800 7437 (PIN: 79078208#)

NL: +31 10 712 9163

UK: +44 33 3300 9032

US: +1 631 913 1422 (PIN: 79078208#)

UPCOMING INVESTOR EVENTS IN 2021

- ING Benelux Conference London, 7 Sept
- NASDAQ Iceland – Fireside chat with CEO 7 Sept (Icelandic)
- Kepler Cheuvreux Autumn Conference, 13 Sept
- Marel 360° Capital Markets Day mini-series, Nov
- Berenberg European Conference Pennyhill, 9 Dec
- ING Benelux Conference New York, 9 Dec

For the latest events and roadshow calendar please visit www.marel.com/ir

UPCOMING TRADE SHOWS AND EVENTS IN 2021

- Agua Nor in Trondheim, Norway – 24-27 August
- IceFish in Iceland – 15-17 Sept
- CIMIE in Qingdao, China – 15-17 Sept
- Polagra Tech in Poznan, Poland – 4-6 Oct
- Agroprodmas in Moscow, Russia – 4-8 Oct
- Conxemar in Vigo, Spain – 5-7 Oct
- VIV MEA in Abu Dhabi, UAE – 23-25 Nov

DISCLAIMERS

Forward-looking statements

Statements in this press release that are not based on historical facts are forward-looking statements. Although such statements are based on management's current estimates and expectations, forward-looking statements are inherently uncertain. We therefore caution the reader that there are a variety of factors that could cause business conditions and results to differ materially from what is contained in our forward-looking statements, and that we do not undertake to update any forward-looking statements. All forward-looking statements are qualified in their entirety by this cautionary statement.

Market share data

Statements regarding market share, including those regarding Marel's competitive position, are based on outside sources such as research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Marel, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

FINANCIAL CALENDAR

- Marel will publish its financial results according to the below financial calendar:
 - Q3 – 20 October 2021
 - Q4 – 2 February 2022
- Financial results will be disclosed and published after market closing of both Nasdaq Iceland and Euronext Amsterdam.

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