



# Advancing food processing

**Q1 2018**

**Financial Results**

April 24, 2018

ARNI ODDUR THORDARSON

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Chief Executive Officer



LINDA JONSDOTTIR

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Chief Financial Officer



# STRONG ORGANIC GROWTH AND SOLID PERFORMANCE

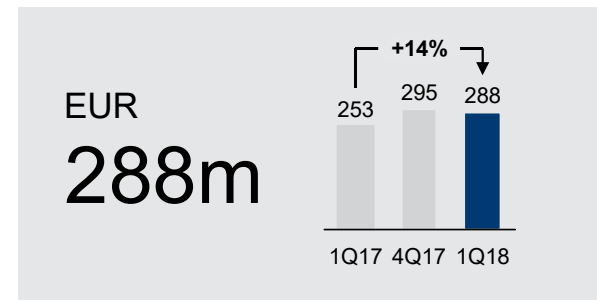


Strong revenue growth. EBIT of around 15% for nine consequent quarters and the order book is at an all-time high with record orders received in 1Q18.

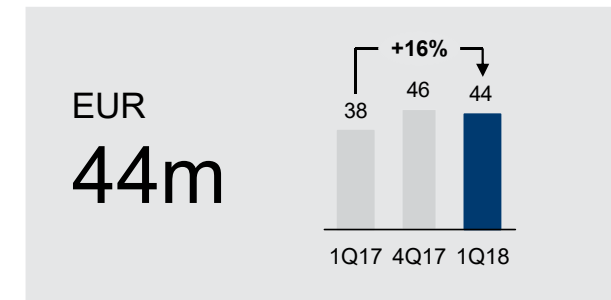
## HIGHLIGHTS

- Revenue growth of 14%
- All industries delivered good order intake and strong revenues
- 15.2% EBIT margin
- Orders received were robust and up 12% YoY
- Strong order book provides good foundation for 2018

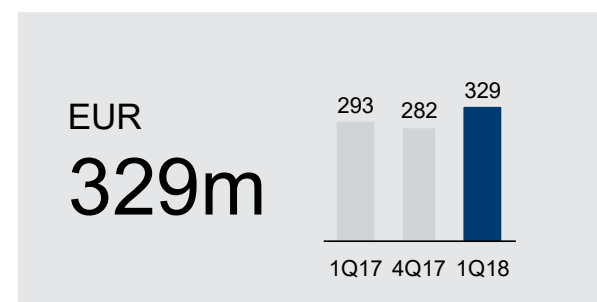
## REVENUES



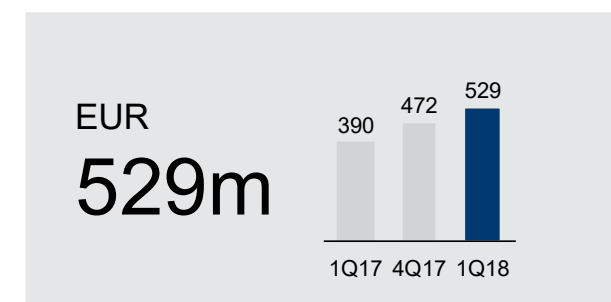
## ADJUSTED EBIT



## ORDERS RECEIVED



## ORDER BOOK



## BALANCED REVENUE MIX

Good market conditions and overall balanced product mix. Focus on the three industries to counterbalance fluctuations in operations. Long term outlook is good for all industries.

### POULTRY



55% of revenues  
18.6% EBIT margin

- Strong quarter with robust order intake, strong volume and solid operational performance
- Good market conditions and strong competitive position

**Marel is reaping the benefits of a steady flow of innovative products with standard blocks and full line offering**

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

### MEAT



31% of revenues  
12.0% EBIT\* margin

- Marel is now a full-line supplier to the meat processing industry
- Good order intake in primary and secondary processing of Meat
- Organizational changes announced at the beginning of 2Q18 with increased focus on innovation and selling full-line solutions

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

*\* Operating income adjusted for amortization of acquisition-related intangible assets*

### FISH



13% of revenues  
8.6% EBIT margin

- Strong order intake and improved operational results
- Investments in innovation and standardization have delivered good order intake and improved margins in core business

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

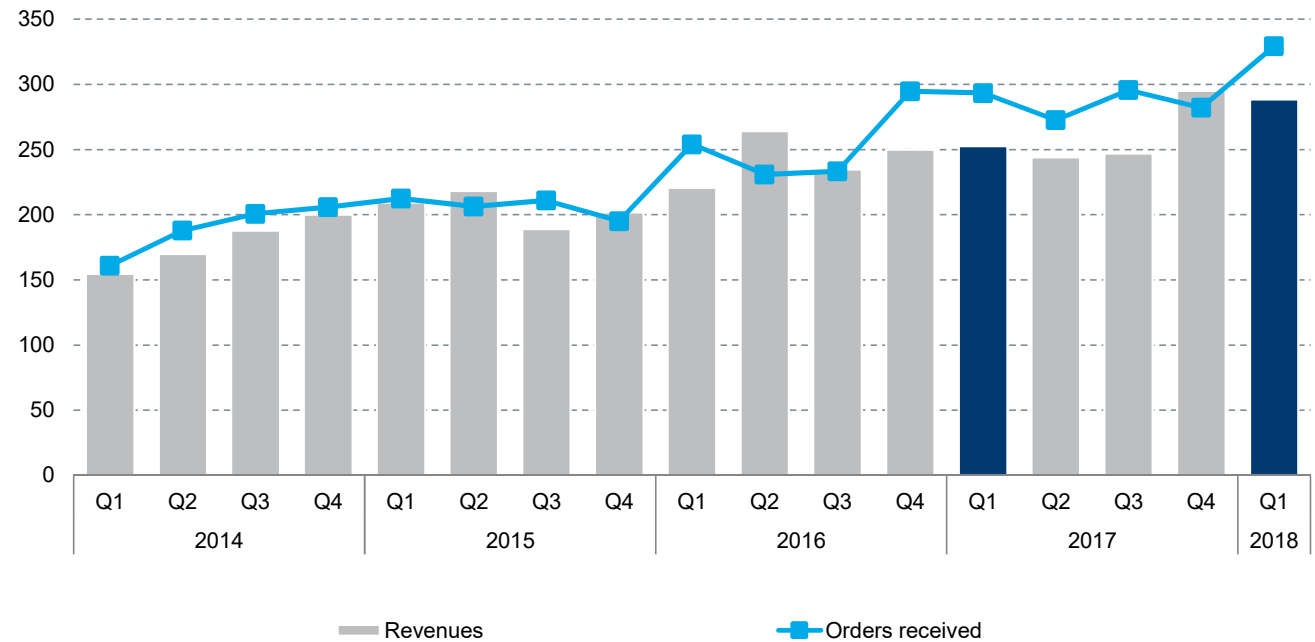
# ORDERS RECEIVED



Orders received in Q1 2018 were robust amounting to EUR 329 million, compared to revenues of EUR 288 million

- At quarter-end, the order book was 49% of trailing twelve months revenues
- 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
- Maintenance, spare parts and services, represent over a third of revenues

**REVENUES AND ORDERS RECEIVED**  
EUR m



# SOLID OPERATIONAL PERFORMANCE

LINDA JONSDOTTIR

Chief Financial Officer

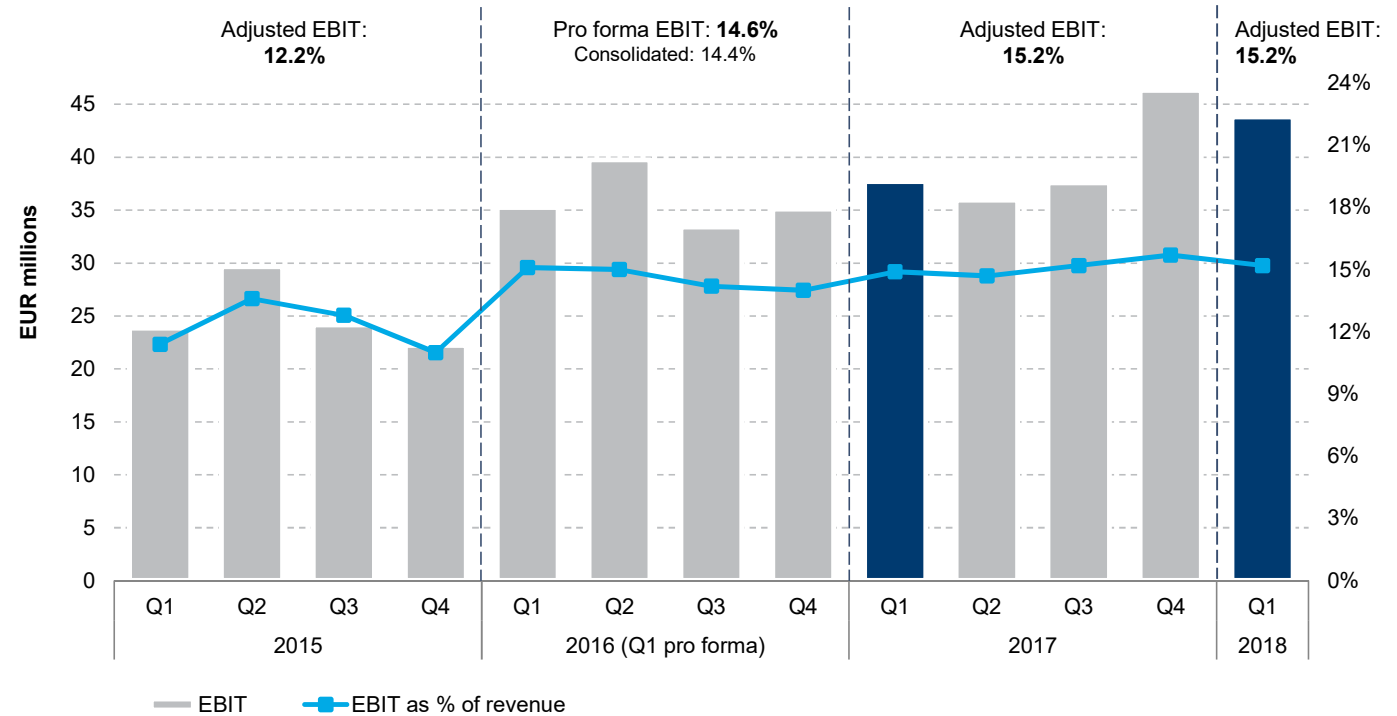


# FIRM STEPS TAKEN TO IMPROVE PROFITABILITY



Strong earnings growth with healthy profit margin of around 15% EBIT for nine consecutive quarters

- Following the robust production ramp up in 4Q17, revenues and EBIT remained strong in 1Q18
- Improved flexibility with more scalable operations following 'Simpler, Smarter, Faster' and strategic investments in innovation and infrastructure
- Ongoing and continued investment in future platform to serve customers' needs better and sustain competitive edge



Note: Operating income adjusted for amortization of acquisition-related intangible assets (PPA) in 2016-2018. 2015 EBIT adjusted for refocusing cost and acquisition costs.

## INCOME STATEMENT: Q1 2018



Revenues were EUR 288.4m with an adjusted EBIT of EUR 43.8m or 15.2% EBIT margin. Gross profit was EUR 111.5m or 38.7% of revenues.

In EUR million unless stated otherwise	Q1 2018	Of revenues	Q1 2017	Of revenues	Change
Revenues	288.4		252.5		+14%
Cost of sales	(176.9)		(153.0)		+16%
<b>Gross profit</b>	<b>111.5</b>	<b>38.7%</b>	<b>99.5</b>	<b>39.4%</b>	<b>+12%</b>
Selling and marketing expenses	(32.6)	11.3%	(31.0)	12.3%	+5%
Research and development expenses	(17.4)	6.1%	(13.9)	5.5%	+25%
General and administrative expenses	(17.7)	6.1%	(16.9)	6.7%	+5%
<b>Adjusted result from operations</b>	<b>43.8</b>	<b>15.2%</b>	<b>37.7</b>	<b>14.9%</b>	<b>+16%</b>
Amortization of acquisition-related (in) tangible assets	(2.3)		(6.2)		-63%
<b>Result from operations</b>	<b>41.5</b>	<b>14.4%</b>	<b>31.5</b>	<b>12.5%</b>	<b>+32%</b>
Net finance costs	(6.0)		(3.8)		+58%
<b>Result before income tax</b>	<b>35.5</b>		<b>27.7</b>		<b>+28%</b>
Income tax	(7.2)		(6.4)		+12%
<b>Net result</b>	<b>28.3</b>	<b>9.8%</b>	<b>21.3</b>	<b>8.5%</b>	<b>+33%</b>



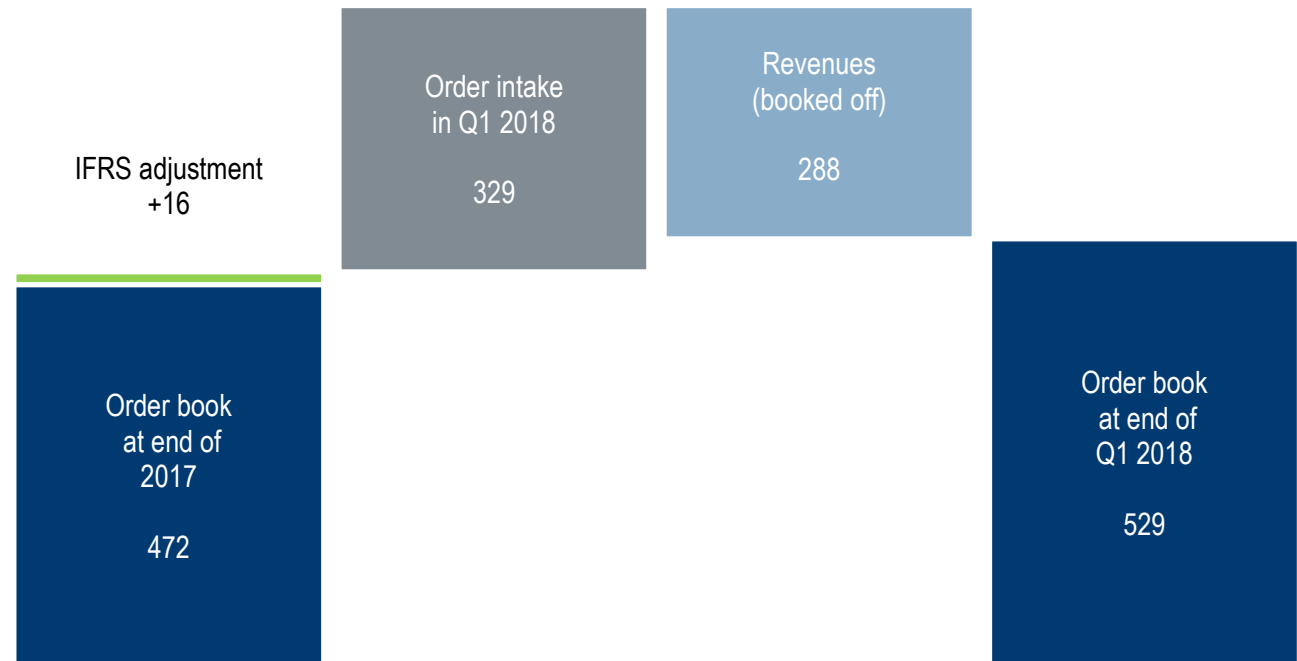
# ORDER BOOK

Market conditions are good and the order book grew to an all-time high of EUR 529m, projects were well distributed geographically and between the poultry, meat and fish industries

## HIGHLIGHTS

- Order book at quarter end was EUR 529m
- IFRS adjustment on opening balance was EUR 16m and delay of revenues in 1Q18 was EUR 4m
- The strong order book provides a good foundation going into the remainder of 2018 operational year
- Order book mix is different per industry, in particular the level of service revenues

## ORDER BOOK EUR m



# BALANCE SHEET: ASSETS



Q1 2018 Consolidated Financial Statements

## HIGHLIGHTS

- Marel is advancing the manufacturing and innovation facilities and improving the working environment across the company
- Lease assets have now been added to the balance sheet in relation to IFRS16
- Working capital items impacted by higher volumes
- Overall working capital is decreasing compared to 2017, primarily caused by down payments on projects

## ASSETS

In EUR million	31/3 2018	31/12 2017	Change
Property, plant and equipment	146.5	144.7	+1%
Right of use assets	31.1	-	-
Goodwill	643.0	643.9	-0%
Intangible assets (excluding goodwill)	259.5	262.7	-1%
Trade and other receivables	3.8	4.0	-5%
Derivative financial instruments	1.5	0.9	+67%
Deferred income tax assets	0.2	4.4	-95%
<b>Non-current assets</b>	<b>1,085.6</b>	<b>1,060.6</b>	<b>+2%</b>
Inventories	129.4	124.4	+4%
Contract assets	35.4	48.2	-27%
Trade receivables	146.8	128.9	+14%
Other receivables and prepayments	49.4	46.6	+6%
Cash and cash equivalents	19.1	31.9	-40%
<b>Current assets</b>	<b>380.1</b>	<b>380.0</b>	<b>+0%</b>
<b>TOTAL ASSETS</b>	<b>1,465.7</b>	<b>1,440.6</b>	<b>+2%</b>

# BALANCE SHEET: EQUITY AND LIABILITIES



Q1 2018 Consolidated Financial Statements

## HIGHLIGHTS

- Borrowings increased due to purchase of treasury shares and dividend payment amounting to around 30% of net profit FY17
- Leverage remains at similar level
- Lease liability has now been added to the balance sheet in relation to IFRS16
- Contract liabilities (Production contracts) reflect down payments from customers on projects that will be produced

## EQUITY AND LIABILITIES

In EUR million	31/3 2018	31/12 2017	Change
<b>Group equity</b>	<b>505.6</b>	<b>541.9</b>	<b>-7%</b>
Borrowings	381.5	370.5	+3%
Lease liability	24.1	0.2	-
Deferred income tax liabilities	54.1	61.3	-12%
Provisions	7.5	8.6	-13%
Other liabilities	3.4	3.6	-6%
Derivative financial instruments	2.7	2.7	+0%
<b>Non-current liabilities</b>	<b>473.3</b>	<b>446.9</b>	<b>+6%</b>
Contract liabilities	240.3	209.6	+15%
Trade and other payables	192.6	195.9	-2%
Current income tax liabilities	12.6	11.0	+15%
Borrowings	24.3	26.2	-7%
Lease liability	7.4	-	-
Provisions	9.6	9.1	+5%
<b>Current liabilities</b>	<b>486.8</b>	<b>451.8</b>	<b>+8%</b>
<b>Total liabilities</b>	<b>960.1</b>	<b>898.7</b>	<b>+7%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,465.7</b>	<b>1,440.6</b>	<b>+2%</b>

## IMPACT OF IFRS ON THE FINANCIAL STATEMENTS



Standards 16, 9 and 15 implemented per 1 January 2018. Impact for full year 2018 expected to be minimal, where impact could fluctuate quarter by quarter.

### IFRS 16 – Lease

Impact from January 1, 2018

- Only 2.3% of total assets added to assets and liabilities in the opening balance sheet, EUR 33m, with no effect on retained earnings in equity
- Non material impact on adjusted EBIT
- Annual effect on EBITDA is estimated around EUR 8m and net interest bearing debt increased by EUR 31m, resulting in a x2.0 net debt/EBITDA leverage ratio at end of 1Q18
- Impact in 1Q18 is in line with what was estimated at year-end 2017

### IFRS 9 – Financial Instruments

Impact from January 1, 2018

- Profit from amended financial liability recognized in the opening retained earnings in equity of EUR 3.7m, that will be spread over the life time of the loan
- Finance cost therefore increases by around EUR 0.4m in 1Q18
- Profit of EUR 0.4m recognized in opening retained earnings in equity for doubtful debt provision, non material impact in the quarter
- Impact in 1Q18 is in line with what was estimated at year-end 2017

### IFRS 15 Revenue Recognition

Impact from January 1, 2018

- Change in timing of revenue recognition (deferral of revenue) leads to EUR 8.9m reduction in opening retained earnings in equity and to EUR 15.7m increase in opening order book
- Delay in revenue recognition in 1Q18 of EUR 3.8m with impact on adjusted EBIT of EUR 3.3m and on net result of EUR 2.5m
- In the quarter the order book further increased with EUR 3.8m as a result of IFRS 15
- Impact in 1Q18 is higher than what was estimated at year-end 2017, reason for deviation is mix and timing of delivery of orders to our customers

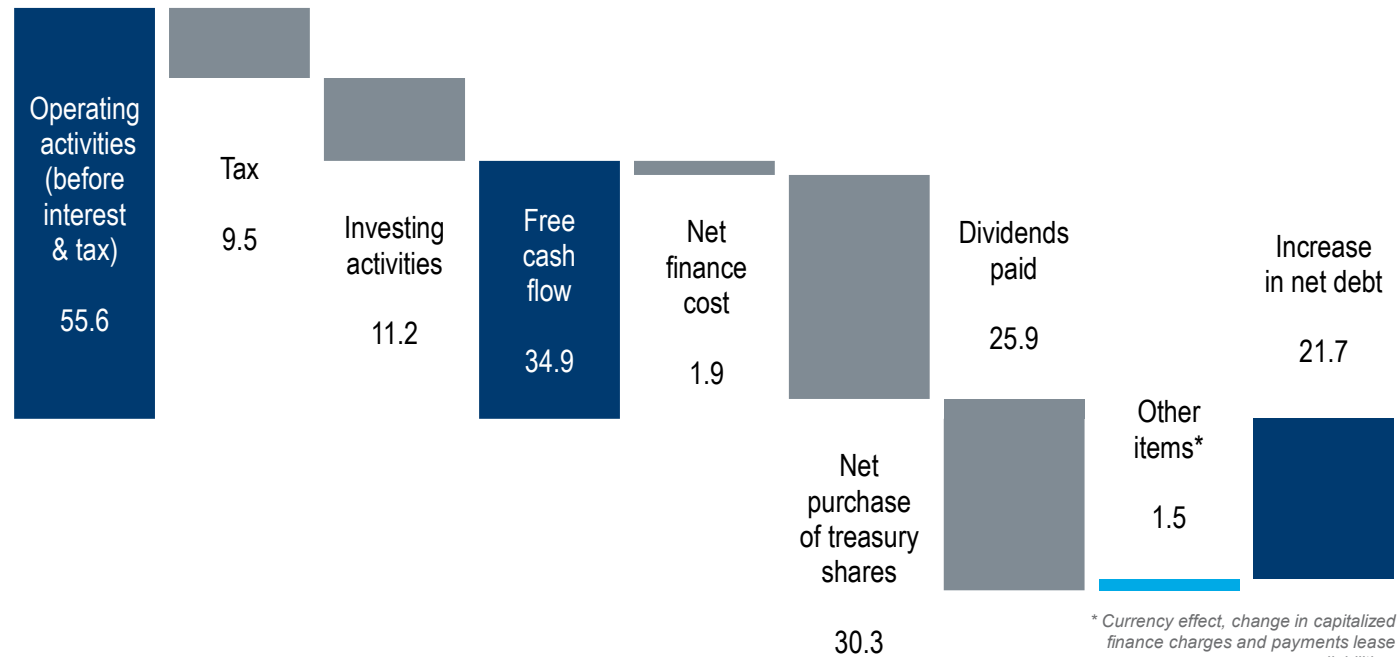


## STRONG CASH FLOW

Strong cash flow enabled continued investment in infrastructure and the platform, free cash flow in 1Q18 amounted to EUR 35 million

- Free cash flow growing with operational improvement and revenue growth
- Strong order intake results in working capital improvements
- Good cash conversion despite focus on investments to grow the business
- EUR 56m returned to shareholders through dividend and purchase of treasury shares

### CASH FLOW EUR m



\* Currency effect, change in capitalized finance charges and payments lease liabilities.

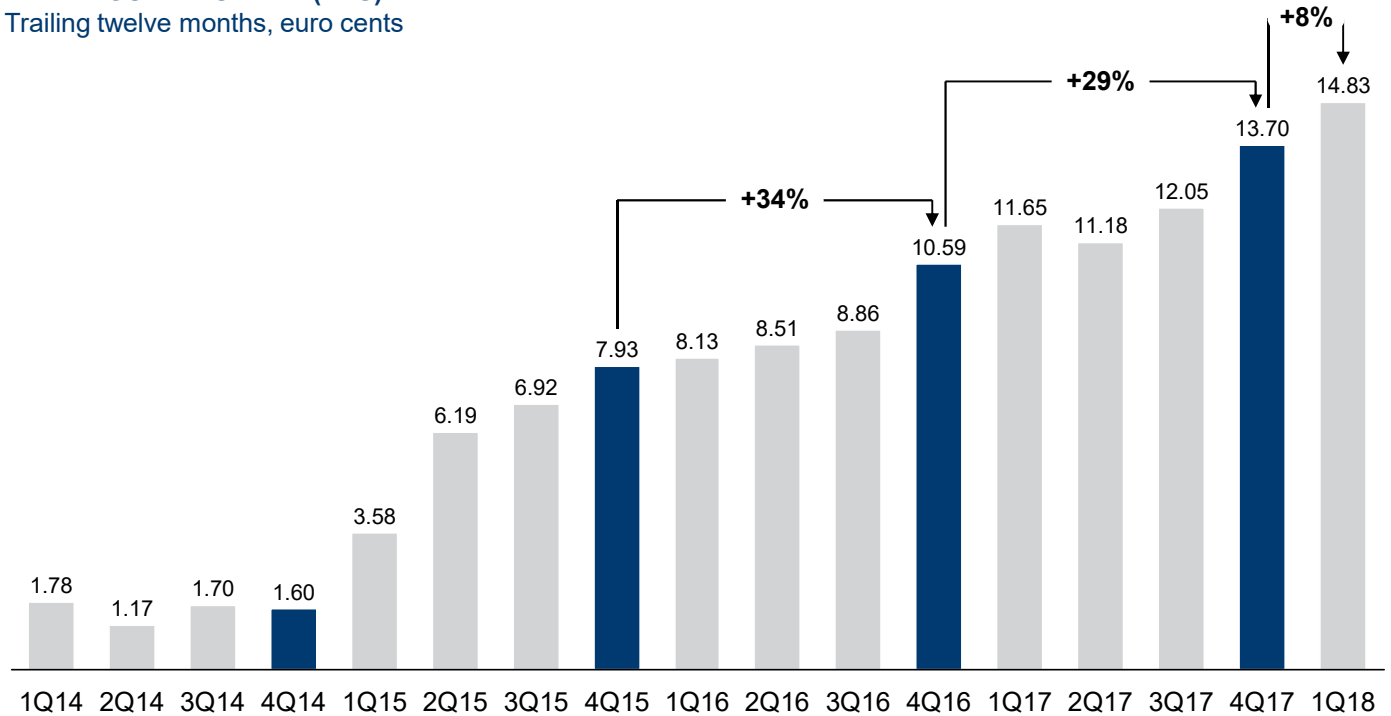
# EARNINGS PER SHARE



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

- At the 2018 AGM, the Board of Directors proposed a dividend of EUR 4.19 cents per share for the operating year 2017, the equivalent to 30% of 2017 net results
- Dividends or share buy-backs are targeted at 20-40% of the net result
- At the AGM, the Board of Directors authorized management to purchase own shares for nominal value of 20 million, thereof 10 million have been executed

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

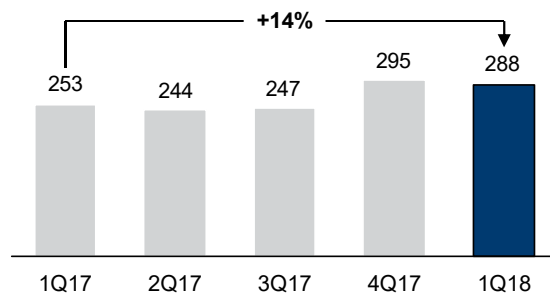


# KEY FIGURES QOQ

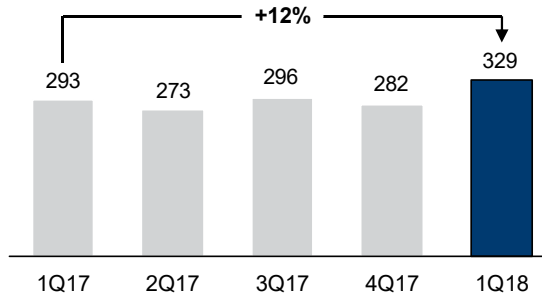


Comparison of the Interim Consolidated Financial results quarter-on-quarter (QOQ)

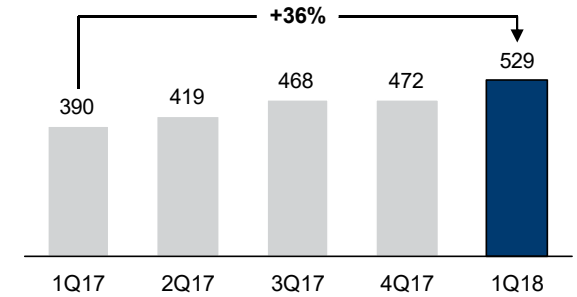
## REVENUES EUR m



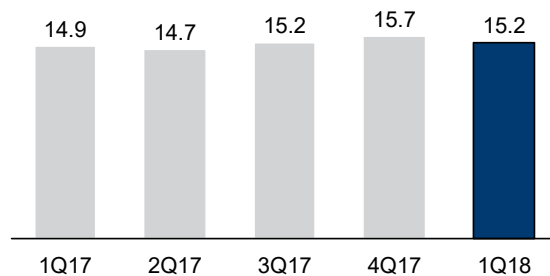
## ORDERS RECEIVED EUR m



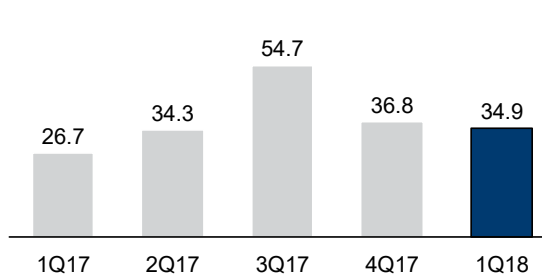
## ORDER BOOK EUR m



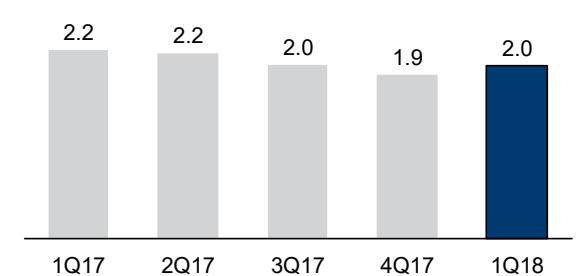
## ADJUSTED EBIT MARGIN %



## FREE CASH FLOW EUR m



## LEVERAGE Net debt/EBITDA



## FINANCIAL TARGETS



The growth strategy laid out in 2017 states goal of achieving 12% average annual revenue growth in the next ten years

	TARGET	1Q18	FY17	FY16	
<b>REVENUE GROWTH</b>	12% average annual revenue growth in 2017-2026	14% QoQ	6%	20%	Marel's management expects 4-6% average annual market growth in the long term*. Marel aims to grow organically faster than the market, driven by innovation and market penetration. Solid operational performance and strong cash flow to support 5-7% revenue growth on average by acquisition**.
<b>INNOVATION INVESTMENT</b>	~6% of revenues	6%	5.5%	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 revenue	14.8	13.7	10.6	Marel's management expects Earnings per Share to grow faster than revenue
<b>LEVERAGE</b>	Net debt/ EBITDA x 2-3	X2.0	x1.90	x2.25	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	30%	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 will not 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



# BUSINESS & OUTLOOK

ARNI ODDUR THORDARSON

Chief Executive Officer

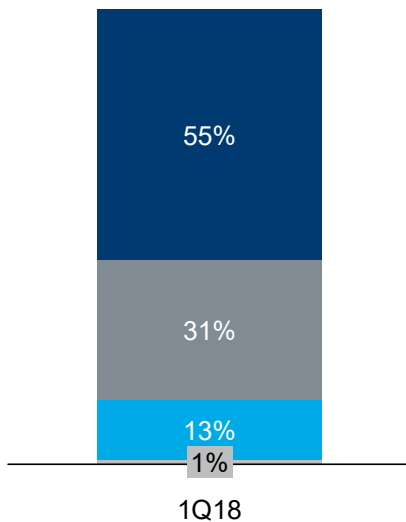


# GOOD QUALITY OF EARNINGS

Good market conditions in all industries, strong track record of a well diversified revenue structure across business segments and geographies

REVENUES BY INDUSTRY

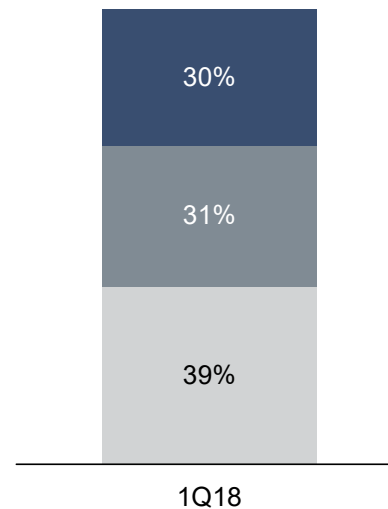
%



- Poultry
- Fish
- Meat
- Other

REVENUES BY GEOGRAPHY

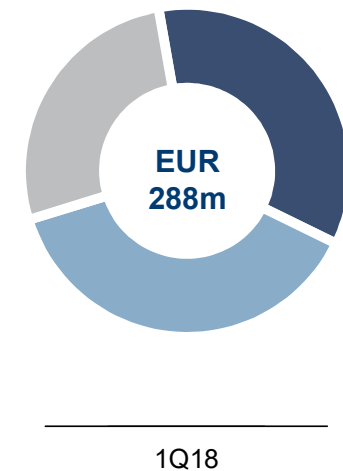
%



- North-America
- West-Europe
- Rest of the world

REVENUES BY BUSINESS MIX

%



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

# BRUSSEL – SEAFOOD PROCESSING GLOBAL



Our focus at the 2018 Seafood Processing Global is on how its cutting edge technology increases processing automation while ensuring the highest yield, throughput and product quality



New Salmon Quality Scanner



Salmon Deheading and Filleting

Marel INNOVA software

Automatic bone removal with FleXicut

New FleXicut robotpacking



# LIVE FROM BRUSSELS

SIGURÐUR ÓLASON

EXECUTIVE VICE-PRESIDENT OF MAREL FISH

# Q&A

ÁRNI ODDUR THORDARSON  
CEO

LINDA JONSDOTTIR  
CFO



THANK YOU