

TRANSFORMING FOOD PROCESSING



Q3 2021

Press release



20 October 2021

Q3 2021 – Strong order momentum, ensuring good customer delivery at higher costs

EXECUTIVE SUMMARY

Financial highlights Q3 2021

- **Strong orders received leading to a healthy order book. Strong quarter for poultry and fish, while softer for the meat industry.**
 - **Stepping up market coverage, innovation and infrastructure initiatives ahead of the growth curve resulting in higher operating expenses.**
 - **Full focus on customer delivery, margin pressure continues due to supply chain and logistics costs. Prices raised by 4-6% in Q3 on new orders that will partly offset increased costs.**
 - **Strategic inventory step-up tying up capital. Operational cash flow before inventory buildup at healthy level.**
- Orders received were EUR 360.6m (3Q20: 282.5m).
 - The order book was EUR 527.8m (3Q20: 434.3m).
 - Revenues were EUR 331.9m (3Q20: 287.2m).
 - EBIT¹ was EUR 36.0m (3Q20: 44.1m), translating to an EBIT¹ margin of 10.8% (3Q20: 15.4%).
 - Net result was EUR 23.2m (3Q20: 29.4m).
 - Basic earnings per share (EPS) were EUR 3.10 cents (3Q20: 3.93 cents).
 - Cash flow from operating activities before interest and tax was EUR 19.7m (3Q20: 54.1m). Strategic inventory buildup of EUR 26m in the quarter. Free cash flow was EUR 0.1m.
 - Net debt/EBITDA was 0.9x at the end of September (2Q21: 0.8x, 3Q20: 0.5x).

Financial highlights 9M 2021

- Orders received were EUR 1,101.3m (9M20: 914.4m).
- Revenues were EUR 993.4m (9M20: 894.5m).
- EBIT¹ was EUR 112.6m (9M20: 114.5m), translating to an EBIT¹ margin of 11.3% (9M20: 12.8%).
- Net result was EUR 67.7m (9M20: 73.5m).
- Basic earnings per share (EPS) were EUR 9.05 cents (9M20: 9.75 cents).
- Cash flow from operating activities before interest and tax in the first nine months was EUR 157.8m (9M20: 178.7m). Free cash flow 9M21 at EUR 100.2m (9M20: 122.8M).

Arni Oddur Thordarson, CEO of Marel commented:

“The food value chain is under transformation with focus on automation, robotics technology and digital solutions that support sustainable food processing. The pandemic has made a seismic and permanent mark on our value chain. With social distancing becoming more common in the workplace, automation and connected solutions can ensure more consistency and quality in food production. Marel is playing a pivotal role in this transformation with focus on continued innovation and introduction of pioneering solutions that bolster our customers’ competitiveness, allowing for more agility and flexibility to cater to changing consumer demands across the various market channels such as e-commerce, food service or traditional supermarkets.

For three sequential quarters, we have delivered orders received at new levels. Orders in Q3 were EUR 361 million and orders in the first 9 months were up 20% compared to the same period last year. The demand for highly automated and digital solutions has never clearer. The momentum was especially strong in the poultry and salmon industries in the quarter, where robotics, cutting and sensor technologies were increasingly sold alongside our overarching digital solutions. The pipeline continues to build up across all industries in various geographies, and we remain positive for the outlook ahead.

We have been navigating relatively well through the pandemic and its aftermath of significant challenges relating to supply chain, logistics and price inflation. Our focus has been on continued innovation, scaling up ahead of the growth curve, increasing our market coverage, securing orders and ensuring customer deliveries. Revenues in Q3 were EUR 332m with operating profits of 11%, well below historical levels. To partly offset higher costs, we raised prices of 4-6% at the end of the quarter, and used our strong balance sheet to mitigate supply chain challenges. Operational cash flow year-to-date is robust despite significant inventory buildup.

Based on the strong orders received and favorable industry and product mix, we are targeting a step-up in volume and operational profits in coming quarters and remain firmly committed to our mid-term targets for year-end 2023 of 16% EBIT.”

KEY FIGURES (EUR m)

3Q21	3Q20	Δ YoY	As per financial statements	9M21	9M20	Δ YoY
331.9	287.2	15.6%	Revenues	993.4	894.5	11.1%
123.2	112.5	9.5%	Gross profit	366.2	334.0	9.6%
37.1%	39.2%		Gross profit as a % of revenues	36.9%	37.3%	
36.0	44.1	-18.4%	Adjusted result from operations (Adjusted EBIT)	112.6	114.5	-1.7%
10.8%	15.4%		EBIT ¹ as a % of revenues	11.3%	12.8%	
48.0	55.7	-13.8%	EBITDA	145.1	150.2	-3.4%
14.5%	19.4%		EBITDA as a % of revenues	14.6%	16.8%	
(4.6)	(2.7)	70.4%	Non-IFRS adjustments	(18.1)	(7.9)	129.1%
31.4	41.4	-24.2%	Result from operations (EBIT)	94.5	106.6	-11.4%
9.5%	14.4%		EBIT as a % of revenues	9.5%	11.9%	
23.2	29.4	-21.1%	Net result	67.7	73.5	-7.9%
7.0%	10.2%		Net result as a % of revenues	6.8%	8.2%	
360.6	282.5	27.6%	Orders Received	1,101.3	914.4	20.4%
527.8	434.3		Order Book ²	527.8	434.3	21.5%

3Q21	3Q20	Cash flows	9M21	9M20
19.7	54.1	Cash generated from operating activities, before interest & tax	157.8	178.7
10.4	49.8	Net cash from (to) operating activities	132.6	147.2
(12.7)	(15.2)	Investing activities	(65.1)	(36.0)
(18.2)	(108.1)	Financing activities	(85.2)	(330.3)
(20.5)	(73.5)	Net cash flow	(17.7)	(219.1)

Financial position

30/09 2021	31/12 2020
186.6	205.2
89.0	78.9

Key ratios

9M21	9M20
1.0	1.0
0.6	0.6
9.3%	10.5%
0.9	0.5
754.0	747.9
4.6	3.2
9.05	9.75

FINANCIAL PERFORMANCE

Orders received in 9M21 up 20% year-on-year, three sequential quarters of strong orders in Q1-Q3

- Orders received in 3Q21 of EUR 360.6m, with strong orders in the fish and poultry industries, while orders in the meat industry were softer.
- Strong first nine months of the year with combined orders received of EUR 1,101.3m in 9M21, up 20.4% from EUR 914.4m in 9M20.
- M&A continues to stimulate 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.
- Strong momentum in sales of standard equipment and lines with retail and food service market picking up. In line with previously stated trends there is rising demand for more automation due to labor challenges, as well as consumer-ready products on the back of dynamic shifts in consumer behavior.
- Marel has stepped up market coverage and continues to innovate in partnership with its customers, resulting in recently launched revolutionary solutions in consumer-ready products.
- The pipeline for large greenfields and modernization projects is building up in all industries across all processing stages.

A strong order book and a book-to-bill ratio of 1.09 in the quarter

- The order book at end of September was EUR 527.8m, up 21.5% compared to EUR 434.3m in 3Q20 (2Q21: 499.1m.), representing 39.5% of 12-month trailing revenues.
- The book-to-bill ratio in the quarter was 1.09, compared to an average of 1.04 in the past four quarters (3Q20-2Q21).
- 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.

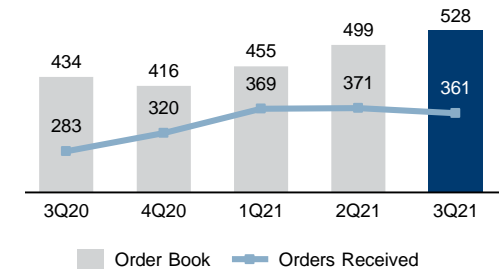
Revenues of EUR 331.9m with 40% solid recurring aftermarket revenues

- Revenues were EUR 331.9m in 3Q21, up by 15.6% YoY, split almost evenly between organic and acquired growth.
- Aftermarket, comprising of services and spare parts, represented 40% of total revenues in the quarter (2Q21: 40%, 3Q20: 41%).
- A record quarter in spare part deliveries, full focus on strengthening the spare parts delivery model and shortening lead times.

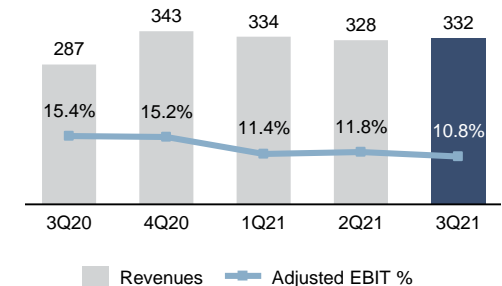
Continued margin pressures due to supply chain and logistics costs of delivering the right quality at the right time to customers

- Gross profit margin was 37.1% in the quarter (3Q20: 39.2%) and gross profit was EUR 123.2m (3Q20: 112.5m).
- Marel's highest priority remains to deliver to our customers the right quality, at the right time. In Q3 2021, Marel has been impacted by an imbalance between supply and demand for electronic components and raw materials, resulting in an increase in prices and delivery times. It is expected that supply chain and logistics challenges will continue to have an impact on Marel's operations.
- Price increases of 4-6% on new orders implemented in Q3 that will partly offset increased costs.
- Continued investment 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 13.4% 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.
- Travel for customer visits on the rise as restrictions are lifted, focus on maintaining cost efficiencies from new ways of working.
- General administrative (G&A) costs were 6.9% of revenues, and innovation cost was at the 6% strategic level.
- A new shared services platform in Poland launched in October, one of several ongoing initiatives for standardization and aligned ways of working, and will support YE23 targets aimed to lower G&A costs.
- Marel does not adjust results for non-recurring costs, except for PPA and acquisition related costs.

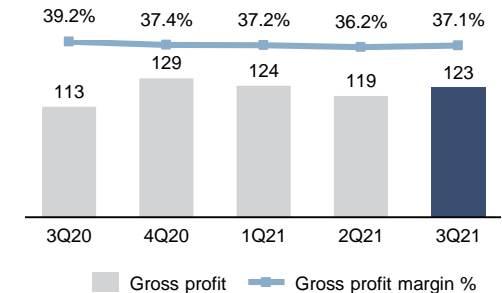
ORDER BOOK AND ORDERS RECEIVED EUR m



REVENUES AND ADJUSTED EBIT¹ EUR m, %



GROSS PROFIT EUR m, %



FINANCIAL PERFORMANCE

Continued focus on EBIT margin expansion

- EBIT¹ was EUR 36.0m (2Q21: 38.6m, 3Q20: 44.1m), translating to an EBIT¹ margin in the quarter of 10.8% (2Q21: 11.8%, 3Q20: 15.4%).
- Strong orders received in the poultry industry for the last two quarters supporting stronger volume and improved industry mix in coming quarters.
- Management continues to target medium and long-term EBIT margin expansion for Marel Meat and Marel Fish.
- Ahead of the growth curve, Marel stepped up market coverage and undertook important initiatives to create more agility and flexibility of operations.
- 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.

Solid cash flow over the year, strategic inventory buildup tying up capital and cash flow in Q3

- Strong cash generation supports continued significant investments in innovation, infrastructure and strategic inventory buildup.
- Operational cash flow was EUR 157.8m for the first nine months, significant inventory buildup over the same period of EUR 51.9m.
- Operational cash flow in the quarter before inventory buildup at healthy level. To ensure timely delivery of equipment and spare parts to customers, additional EUR 26.3m of inventory was added in 3Q21, mainly in production parts and spare parts, using the strong balance sheet to mitigate supply chain challenges.
- Free cash flow 9M21 is EUR 100.2m (9M20: 122.8m), in 3Q21 the free cash flow was EUR 0.1m (3Q20: 36.6m).

Strong financial position to support the 2017-2026 growth strategy

- Leverage was 0.9x at the end of 3Q21 (2Q21: 0.8x), well below the targeted capital structure of 2-3x.
- Committed liquidity of EUR 674.3m at the end of September, including fully committed all-senior funding in place until 2025.
- The strong financial position 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.

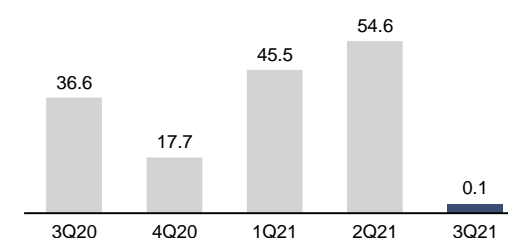
Investments to support organic and strategic growth

- To best serve customer needs and capture growth opportunities from changing market dynamics, capital expenditure is expected to increase by 200bp over the next four years.
- Marel is a trusted maintenance partner and a key focus going forward is on automating and digitizing the end-to-end spare parts handling to ensure shorter lead times and adapt to a changing mix in the order book.
- Important initiatives identified, e.g. stepping up market coverage in growth markets, 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.

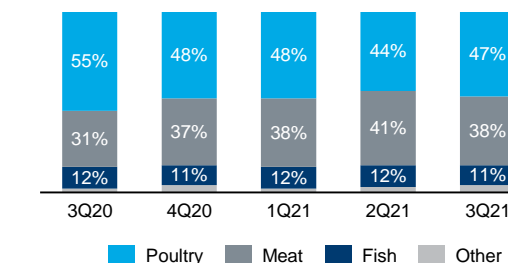
Marel invites you to its 2021 Capital Markets Day 360° mini-series of virtual events

- Marel's 2021 Capital Markets Day will be a series of virtual events and podcasts that will provide a 360° view of Marel, our innovative food processing solutions, global reach, and the passionate Marel team worldwide driving the EUR 1.2 billion Marel engine.
- The 360° mini-series consists of a virtual site visit to Marel in Iceland and four virtual events centered on four key themes in Marel's unique equity story and the future of food processing.
- The virtual events will run for up to 90 minutes, starting at 2pm GMT (3pm CET). They will feature presentations from a range of speakers and a live Q&A panel, so make sure to save the dates:
 - 7 October: Virtual site visit to Marel in Iceland (*recording available on marel.com/ir*)
 - 11 November: Growth
 - 18 November: Global reach
 - 2 December: Digitalization
 - 9 December: Sustainability

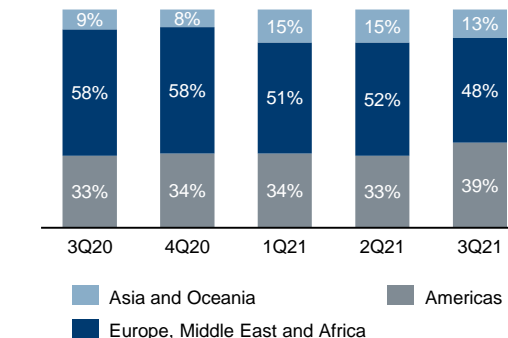
FREE CASH FLOW EUR m



REVENUES BY INDUSTRY %



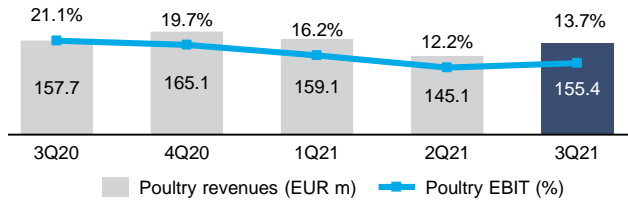
REVENUES BY GEOGRAPHY %



INDUSTRY PERFORMANCE

MAREL POULTRY

3Q21: 47% of total revenues with 13.7% EBIT¹ margin

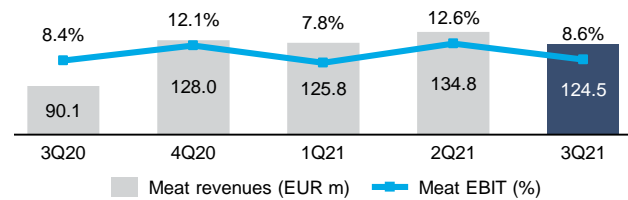


3Q21	3Q20	Change		9M21	9M20	Change
155.4	157.7	-1.5%	Revenues	459.6	470.3	-2.3%
21.3	33.3	-36.0%	EBIT ¹	64.8	83.5	-22.4%
13.7%	21.1%		EBIT ¹ as a % of revenues	14.1%	17.8%	

- *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.
- *Orders received* for Marel Poultry were strong in the last two quarters and pipeline remains strong, supporting stronger volume going forward with a good product mix. Marel Poultry secured a major order from Aurora, the third biggest food processor company in LATAM, focused on modernization, optimization and digitalization to improve end-to-end traceability, nutrition and product quality.
- *Revenues* in 3Q21 for Marel Poultry were EUR 155.4m, with 459.6 in revenues for 9M21.
- *EBIT in 3Q21* was EUR 21.3m (3Q20: 33.3m) and the EBIT margin was 13.7% (3Q20: 21.1%).
- On the back of a stronger order book and pipeline, volume will continue to increase with foreseen more favorable mix, resulting in higher operating profits.

MAREL MEAT

3Q21: 38% of total revenues with 8.6% EBIT¹ margin

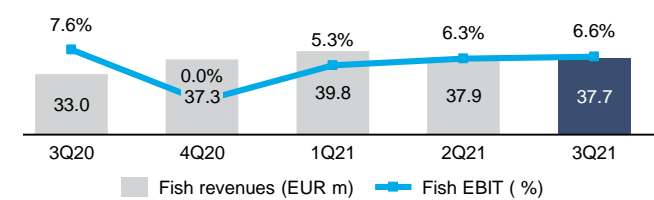


3Q21	3Q20	Change		9M21	9M20	Change
124.5	90.1	38.2%	Revenues	385.1	291.1	32.3%
10.7	7.6	40.8%	EBIT ¹	37.5	20.8	80.3%
8.6%	8.4%		EBIT ¹ as a % of revenues	9.7%	7.1%	

- *Full-line offering* with focus on strong product development, increased standardization, modularization, market penetration and further cross- and upselling.
- *M&A*: Acquisitions stimulating organic growth and accelerating the innovation roadmap by transferring technology across industries. TREIF acquisition already resulting in more project wins, leveraging on both TREIF's and Marel's customer base and complimentary product portfolio.
- *Orders received* in 3Q21 for Marel Meat were softer than in previous quarters. Significant volatility in meat prices in different geographies changed the composition of orders and affected timing of investment decisions. The need for automation has never been clearer and the pipeline shows good opportunities in all regions and expectation of higher conversion of pipeline into orders in coming quarters.
- *Revenues* in 3Q21 for Marel Meat were EUR 124.5m, up by 38.2% YoY (3Q20: 90.1m).
- *EBIT in 3Q21* was EUR 10.7m (3Q20: 7.6m) and EBIT margin of 8.6% (3Q20: 8.4%), colored by lower volume QoQ (2Q21: 17.0m, 12.6%).
- Management continues to target medium and long-term EBIT margin expansion for Marel Meat, through focus on cross-and upselling, accelerated market coverage in key growth markets and operational improvement initiatives.

MAREL FISH

3Q21: 11% of total revenues with 6.6% EBIT¹ margin

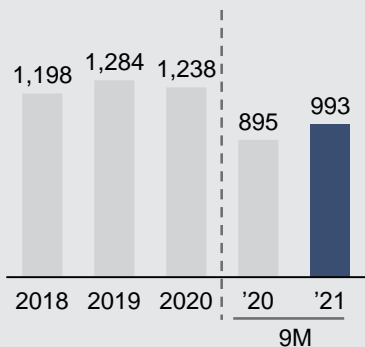


3Q21	3Q20	Change		9M21	9M20	Change
37.7	33.0	14.2%	Revenues	115.4	113.4	1.8%
2.5	2.5	0.0%	EBIT ¹	7.0	8.1	-13.6%
6.6%	7.6%		EBIT ¹ as a % of revenues	6.1%	7.1%	

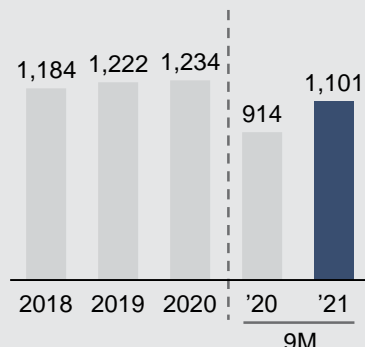
- *Objective to reach full-line offering* across farmed and wild whitefish and salmon through continued focus on innovation and M&A.
- *M&A*: Agreement to acquire Valka announced in 3Q21, pending anti-trust and other customary closing conditions. Curio acquisition consolidated as of 4 Jan 2021. Salmon 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 3Q21 for Marel Fish were solid. Strong pipeline for both small and medium-sized projects. Q4 started on a strong note in the fish industry with key large projects secured.
- *Revenues* for Marel Fish in 3Q21 were EUR 37.7m (3Q20: 33.0m).
- *EBIT in 3Q21* was EUR 2.5m (3Q20: 2.5m) and the EBIT margin was 6.6% (3Q20: 7.6%), higher volume is needed to deliver sufficient margin improvement.
- Management continues to target medium and long-term EBIT margin expansion for Marel Fish.

9M21 KEY FIGURES & OUTLOOK

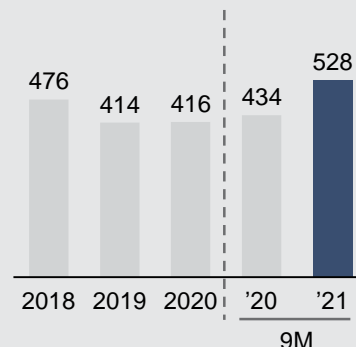
REVENUES
EUR m



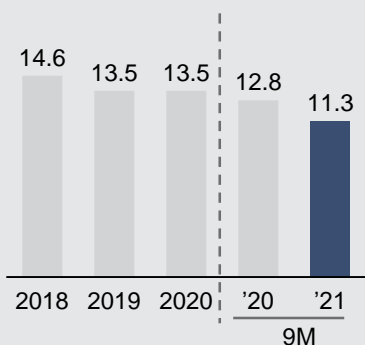
ORDERS RECEIVED
EUR m



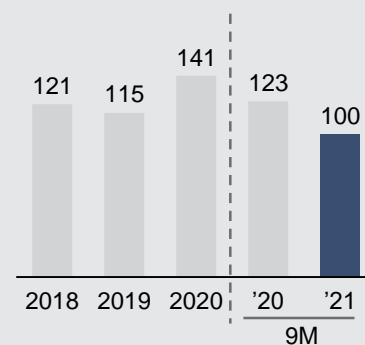
ORDER BOOK
EUR m



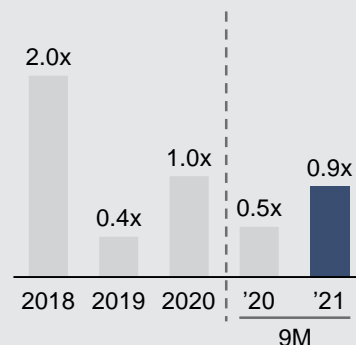
EBIT¹ MARGIN
%



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 21 October 2021

On Thursday 21 October 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 third 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 58395655#)
- NL: +31 10 712 9162
- UK: +44 33 3300 9267
- US: +1 631 913 1422 (PIN 58395655#)

UPCOMING INVESTOR EVENTS IN 2021

- Marel 360° Capital Markets Day – Growth 11 Nov
- Marel 360° Capital Markets Day – Global Reach 18 Nov
- Marel 360° Capital Markets Day – Digitalization 2 Dec
- Marel 360° Capital Markets Day – Sustainability 9 Dec
- 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

- SIFA in Paris, France, 16-18 Nov
- CFIA in Lyon, France, 16-18 Nov
- Poultry ShowHow Online event, 18 Nov
- Congreso Nacional Avicola in Medellin, Colombia, 24-26 Nov
- International Fish Congress & Expo in Foz Do Iguacu, Brazil, 24-26 Nov

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:
 - 4Q21: 2 February 2022
- Financial results will be disclosed and published after market closing of both Nasdaq Iceland and Euronext Amsterdam.

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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.

