

## Q3 2013 presentation

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**STORK**  
POULTRY PROCESSING

**TOWNSEND**  
FURTHER PROCESSING

**marel**

**Theo Hoen**

CEO



- 1** Introduction
- 2** Financial results
- 3** Outlook



## Improved profit margins – market recovering at a slow pace

- Revenues in the first nine months of the year **7.9%** lower than in the same period last year
  - Revenues in Q3 decreased by **4.5%** compared to Q3 2012
- Improved profit margin
  - EBIT was **8.2%** of revenues in Q3 compared to **6.9%** in Q2 2013
- Recovery is taking longer than anticipated
  - Full year revenues are expected to decline by **6-8%** between years
  - Moderate growth of revenues next year on the heels of market recovery
  - Lack of investment in large projects
- Long and medium term outlook remains positive

**Erik Kaman**

CFO



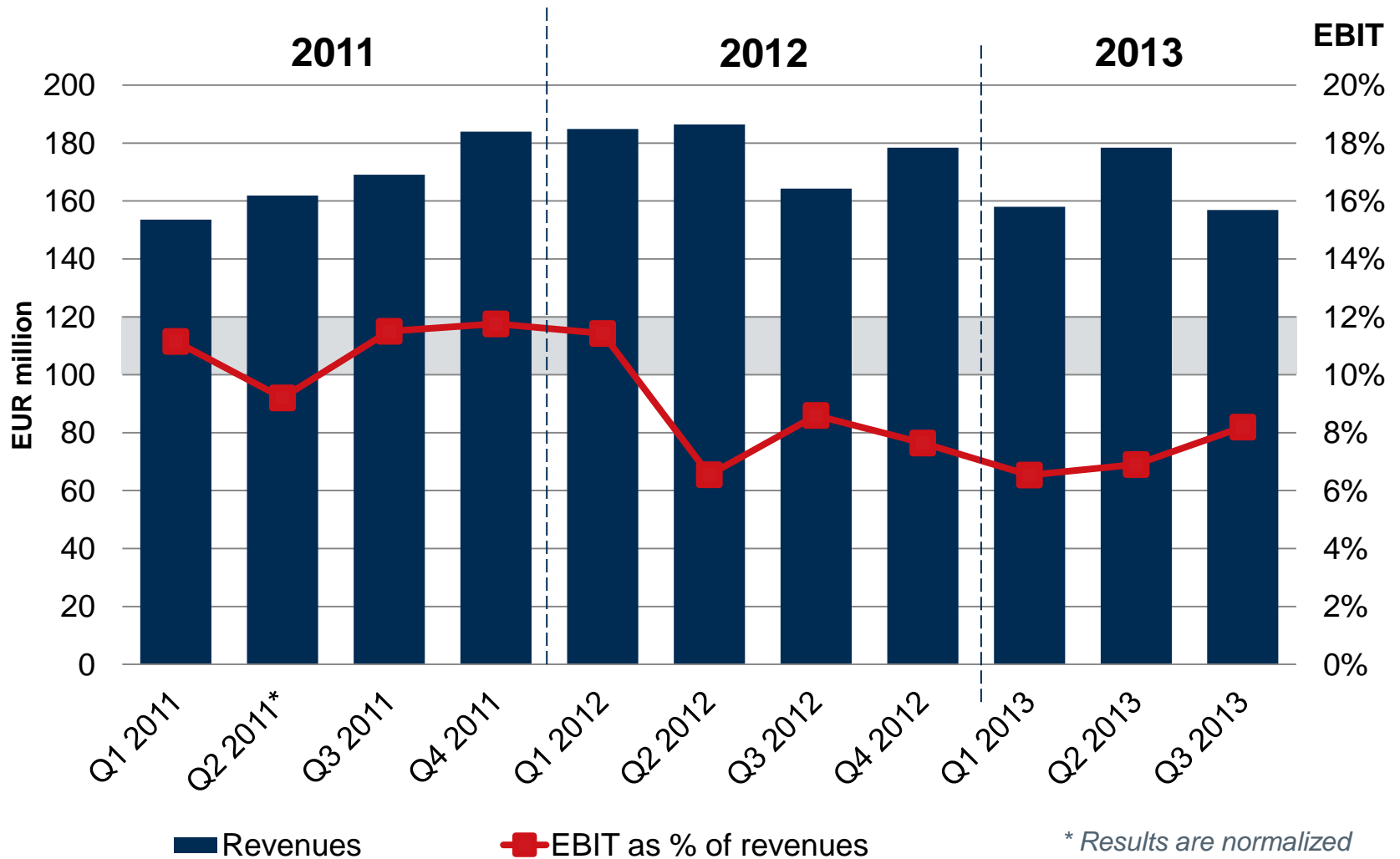
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## Business results

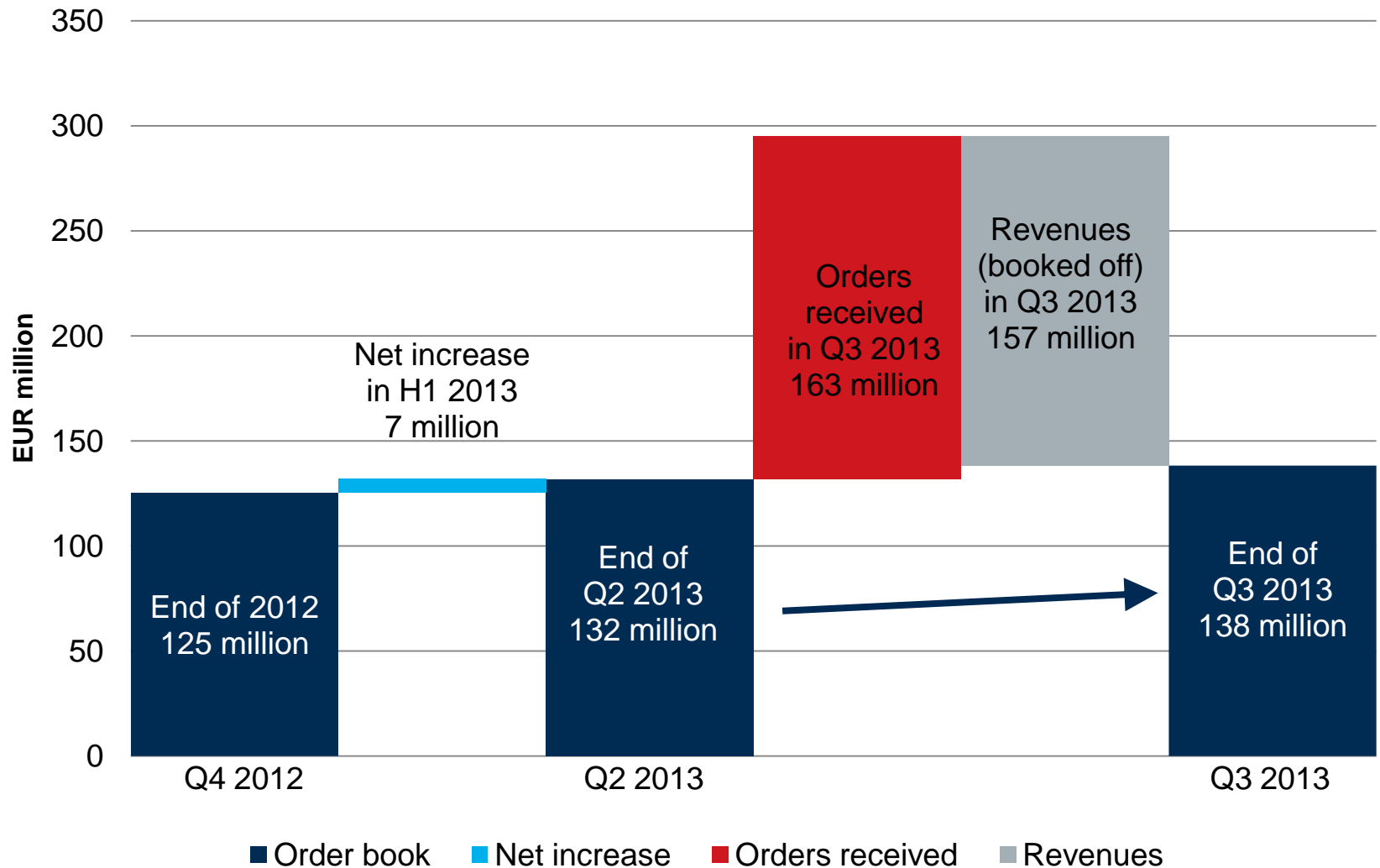
<i>EUR thousands</i>	<b>Q3 2013</b>	<b>Q3 2012</b>	<b>Change in %</b>
Revenues .....	156,896	164,264	(4.5)
Gross profit .....	58,030	58,871	(1.4)
<i>as a % of revenues</i>	37.0	35.8	
Result from operations (EBIT) .....	12,854	14,118	(9.0)
<i>as a % of revenues</i>	8.2	8.6	
EBITDA .....	19,523	20,465	(4.6)
<i>as a % of revenues</i>	12.4	12.5	
Orders received (including service revenues)	163,346	133,126	22.7
Order book .....	138,262	151,424	(8.7)

## Development of business results





## Gradual increase in order book between quarters



## Condensed consolidated balance sheet

### ASSETS

*EUR thousands*

#### Non-current assets

	30/09 2013	31/12 2012
Property, plant and equipment .....	105,244	108,034
Goodwill .....	379,174	379,984
Other intangible assets .....	117,001	112,779
Receivables .....	869	2,584
Deferred income tax assets .....	8,957	7,988
	611,245	611,369

#### Current assets

Inventories .....	98,775	99,178
Production contracts .....	35,058	40,163
Trade receivables .....	74,026	70,816
Other receivables and prepayments .....	23,793	27,657
Cash and cash equivalents .....	14,583	15,945
	246,235	253,759

#### Total assets

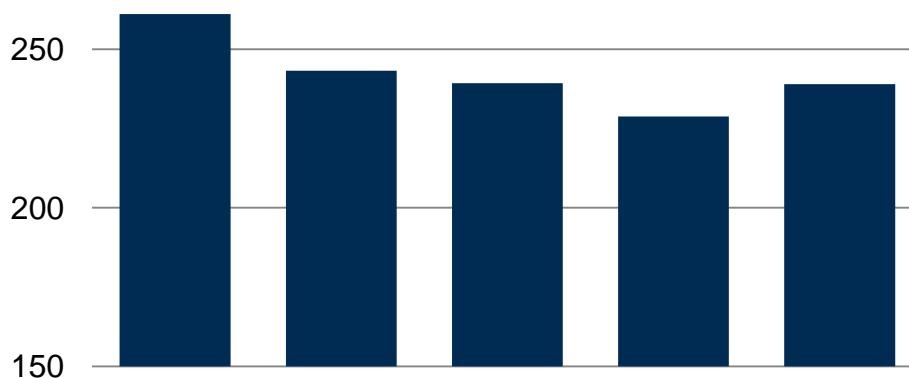
857,480	865,128
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## Condensed consolidated balance sheet (continued)

<b>EQUITY</b>	<b>30/09 2013</b>	<b>31/12 2012</b>
<i>EUR thousands</i>		
<b>Total equity</b>	<b>415,231</b>	<b>403,748</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings .....	234,047	239,747
Deferred income tax liabilities .....	14,613	11,194
Provisions .....	5,719	4,941
Derivative financial instruments .....	8,404	10,815
	<u>262,783</u>	<u>266,697</u>
<b>Current liabilities</b>		
Production contracts.....	46,111	43,847
Trade and other payables .....	107,004	125,417
Current income tax liabilities .....	4,280	3,090
Borrowings .....	19,537	19,440
Provisions .....	2,534	2,889
	<u>179,466</u>	<u>194,683</u>
<b>Total liabilities</b>	<b>442,249</b>	<b>461,380</b>
<b>Total equity and liabilities</b>	<b><u>857,480</u></b>	<b><u>865,128</u></b>

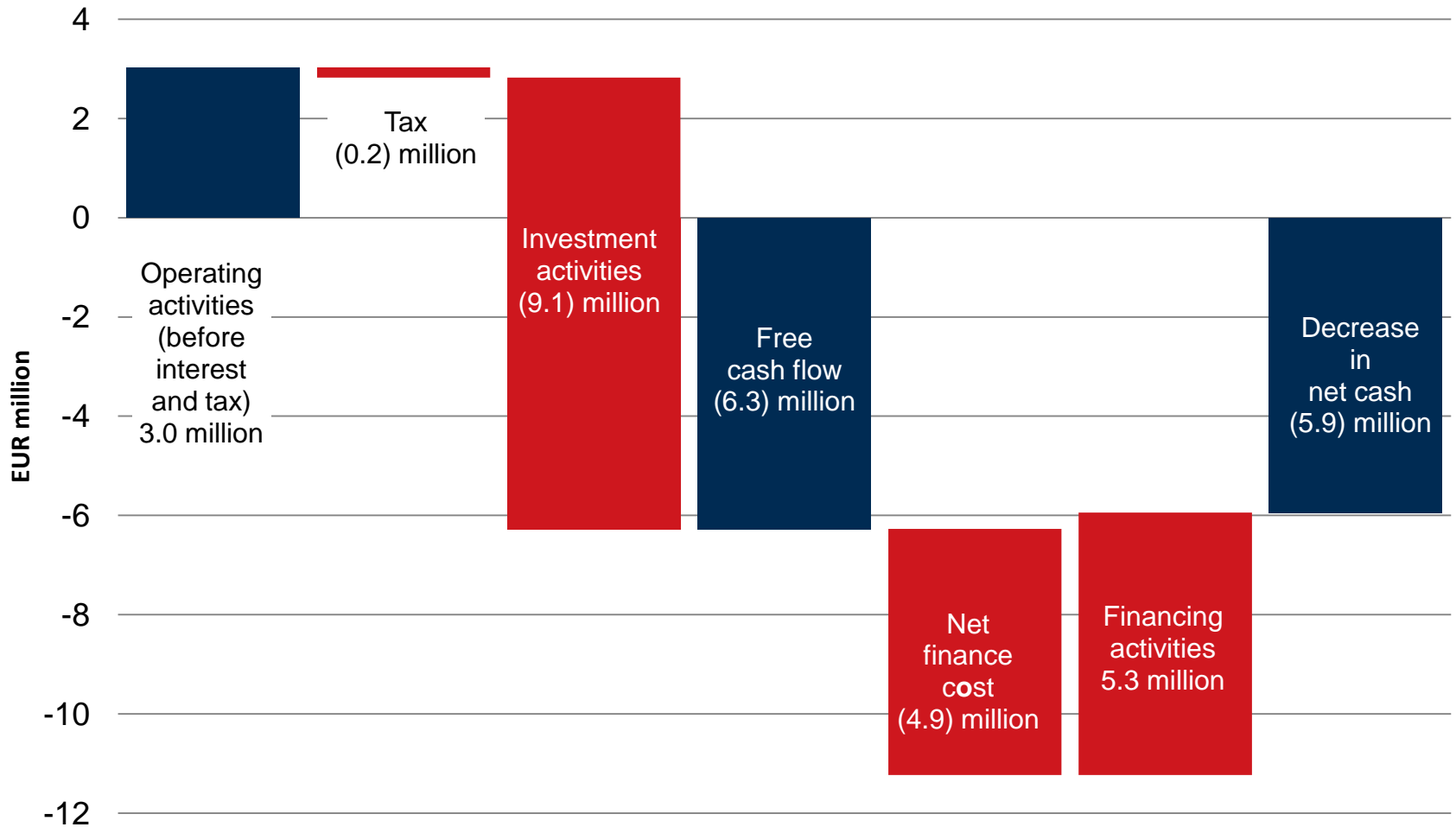
## Net debt increasing mainly linked to timing of payments

EUR million



End of quarter in EUR million	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Change since Q3 2012
Non-current borrowings	255.0	239.7	234.6	230.7	234.0	(21.0)
Current borrowings	19.5	19.4	19.4	19.4	19.5	(0.0)
<b>Total borrowings</b>	<b>274.5</b>	<b>259.1</b>	<b>254.0</b>	<b>250.1</b>	<b>253.5</b>	<b>(21.0)</b>
Cash and equivalents	13.4	15.9	14.7	21.3	14.5	1.1
<b>Net interest bearing debt</b>	<b>261.1</b>	<b>243.2</b>	<b>239.3</b>	<b>228.8</b>	<b>239.0</b>	<b>(22.1)</b>

## Q3 2013 cash flow composition



## Financial focus areas

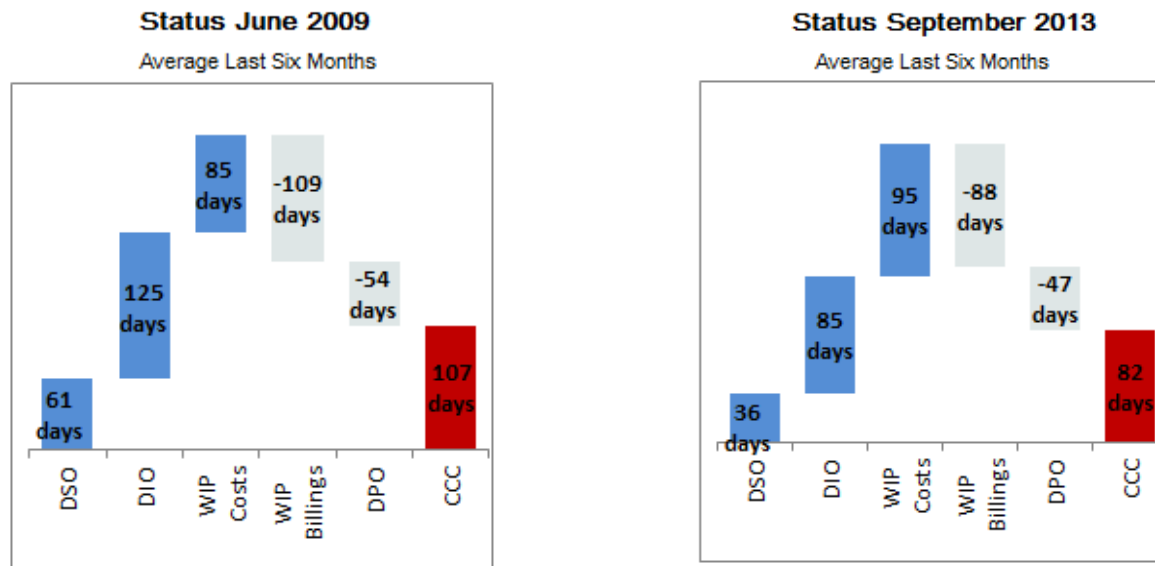
- Improving *gross profit*
  - Procurement
  - Production cost
  - Operational processes
  
- Ensuring a sustainable *SG&A cost base*
  - Q3 2012: 21.8%
  - Q3 2013: 21.9%
  
- Improving *working capital* parameters
  - Days inventory on hand (DIO)
  - Days sales outstanding (DSO)
  - Days payable outstanding (DPO)



*ProTEN is Marel's new meat harvesting system. ProTEN is a revolution in meat harvesting and helps customers in the meat industry to increase their yields and reduce waste.*

## Operational excellence: Marel working capital management

- **Operational Excellence** is managed in the working capital program by speeding up the Cash Conversion Cycle



- Seasonal influences are very clear between Q2 and Q3
- Periodic swings in **Net Working Capital** are caused by
  - **Timing impact** of collections of down payment
  - **Seasonal expenses** (Dividends, Holidays allowance and – rights)
  - **One-offs** (e.g. Acquisitions, transfer of Pension Fund)

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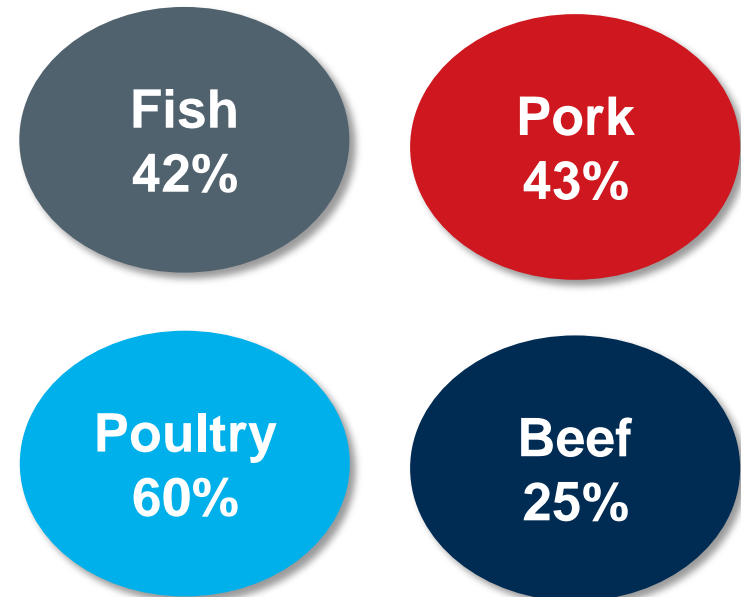
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## Market environment remains challenging

- **Uncertainty in the global economy**
  - Economic recovery in Marel's major markets, especially Europe is still fragile
- **Food producers in Europe are still in tough terrain**
  - Pressure on profitability margins prevails
- **Long and medium term outlook remains positive**
  - Underlying demand for protein is growing

*Forecasted growth in global protein production 2010-2030*



*Source: Rabobank, FAO, OECD*

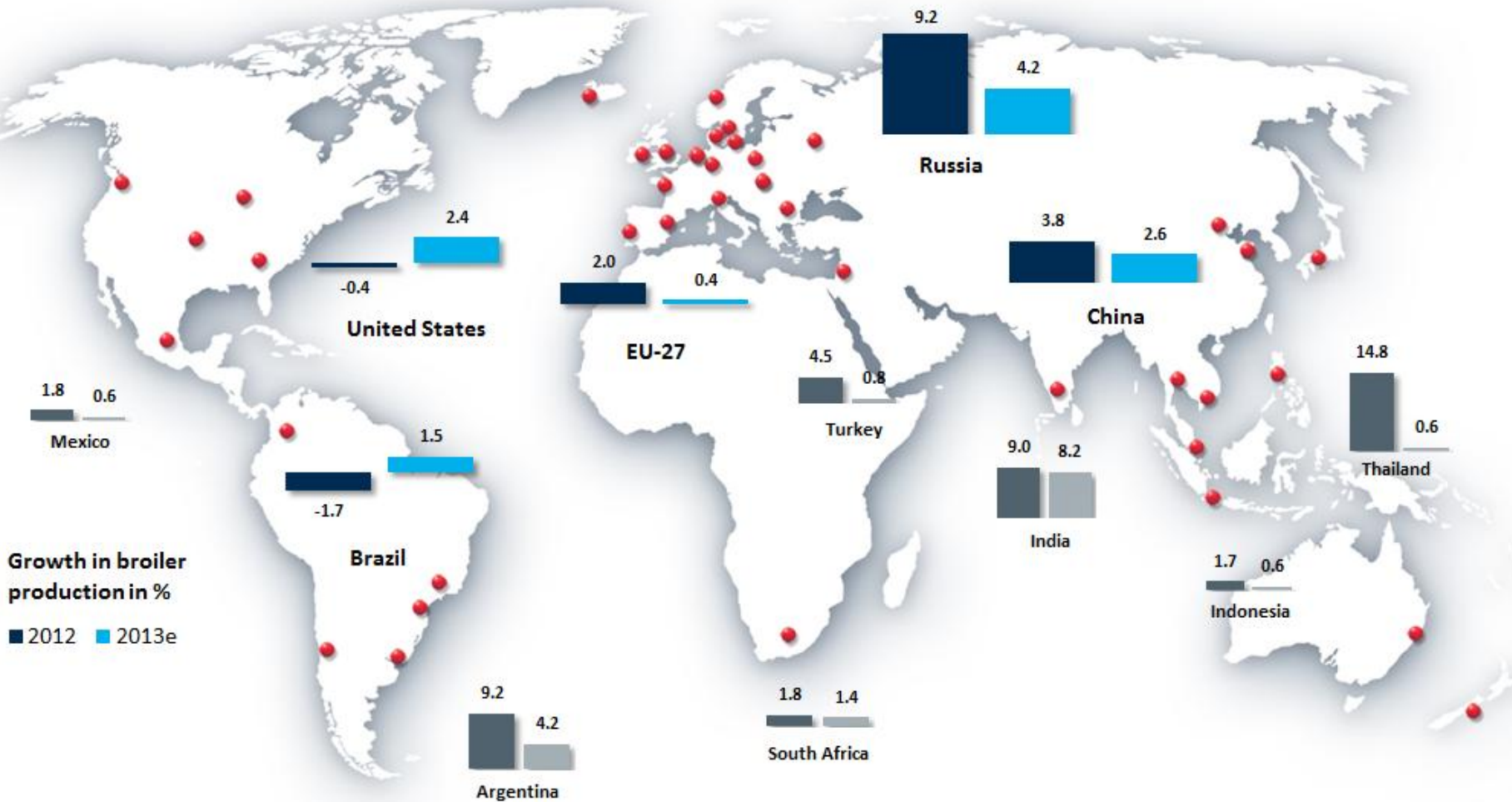
## Poultry: Activity still slow

- Markets remain characterized by slow activity and hesitation to invest
  - Profitability under the pressure of high feed prices, especially in Europe
- In North America the situation is gradually improving
  - Substantial orders for big bird evisceration lines
- In Europe the market remains difficult
  - Positive exceptions are Poland and the UK
- Emerging markets picking up
  - Orders are coming from Russia and Brazil
  - In Mexico new orders have been secured. This is a clear result from the focus market approach in this important market



*Tray Track consists of an overhead conveyor with tray carriers, automatic tray loading, unloading stations and electronic controls that are for programming and running the system*

## Poultry production slowed down in 2013



Source: Rabobank analysis, USDA 2013

## Meat: Major projects secured during Q3

- Improvement in markets slowly coming around
  - Feed prices have started to give in easing pressure on profitability margins
  - The pipeline of projects continues to grow and represents a good mix of products
- Major sale of the new revolutionary Deboflex system in Brazil
- The first deboning and trimming solution in France was sold
- The first new meat harvesting system from the ProTEN series started bringing increased efficiency to leading customers in Germany and the Netherlands



*In Q3 the first revolutionary Deboflex system was sold in Brazil. Deboflex is Marel's latest pork deboning and packing solution which was launched earlier this year.*

## Fish: Order book marginally recovering

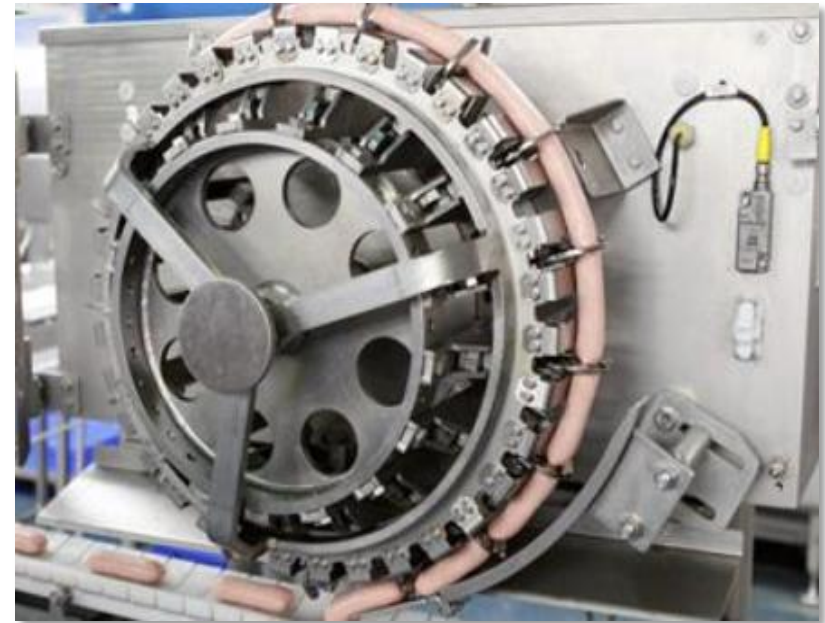
- Orders of larger systems are still being postponed due to difficult economic climate
  - Smaller investments are however starting to pick up and are now moving faster
- Proposal pipeline remains very strong and indicates positive long term outlook
- Marel's recently launched Portioning and robot loading solution landed the second place in the 2013 Aqua-Nor innovation awards
  - The product was developed in partnership with and installed at the Norwegian salmon processor Nordlaks produkter



*World fish production is anticipated to grow by 2.9% in 2013 to 161.2 million tonnes.*

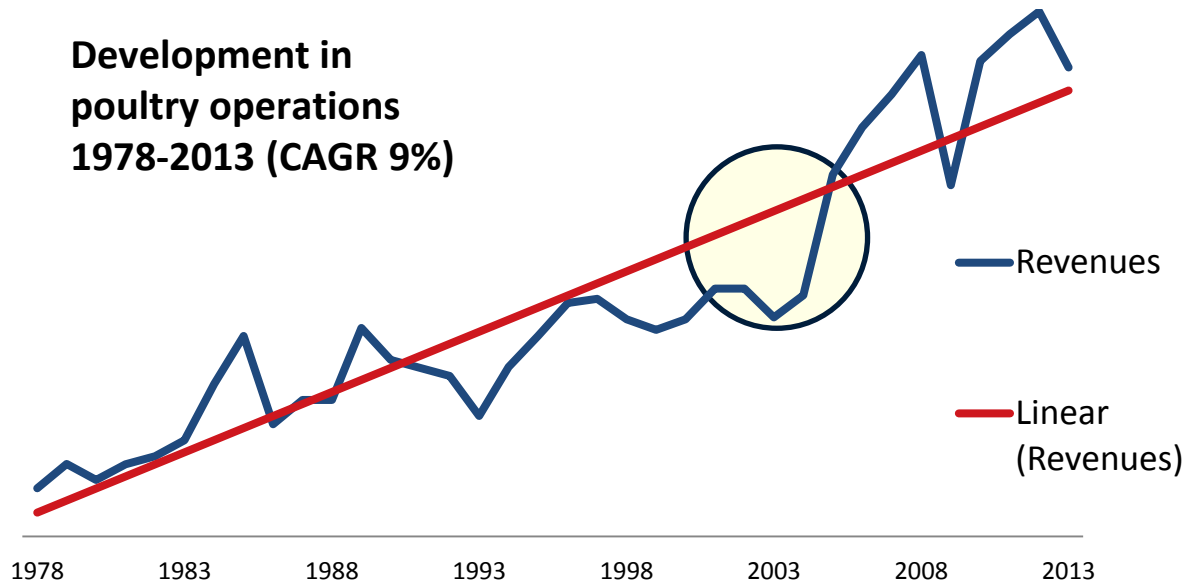
## Further processing: Full line sales completed around the world

- Sausage equipment continued to do well with a number of sausage linkers sold
- QX high capacity system sold in the US market
- Due to Marel's acquisition all Carnitech meat products have been added to Marel's further processing portfolio
- Clearly visible that more ground can be won in the US market with the Modular oven
- OSI, one of McDonalds' suppliers opened factory in China with Marel technology including the Modular oven and RevoPortioner



*The QX Fresh Systems makes the casing as the sausage is produced by extrusion of a continuous flow of meat batter and a layer of collagen.*

## Full year revenues are expected to decline between years



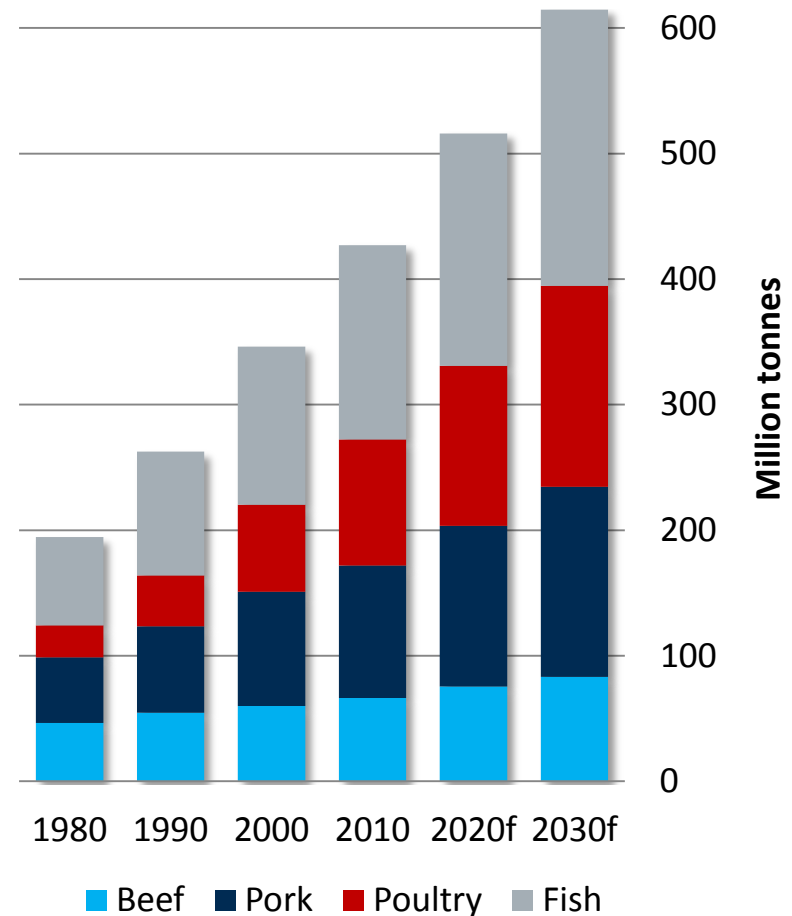
- Revenues in 2013 are expected to decline by 6-8% between years
- Investment need is building up as the underlying demand for protein continues to grow
- Moderate growth of revenues in 2014 anticipated on the heels of market recovery



## Mid to long-term prospects remain excellent

- Protein consumption continues to rise throughout the world
- Marel is well positioned to meet increased demand when the market picks up
- Most of the largest food processors in the world are already customers of Marel
- Marel continues launching unique innovations in all four markets
- Consumer trends are working in Marel's favor

**Global production 1980-2030f**



## Q & A

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