

Q3 2020

PRESS RELEASE

20 OCTOBER 2020



Q3 2020 – Strong margins and strategic moves

EXECUTIVE SUMMARY

Financial highlights Q3 2020

- Orders received were EUR 282.5m (3Q19: 285.0m).
- The order book was EUR 434.3m (2Q20: 439.0m, 3Q19: 431.9m).
- Revenues were EUR 287.2m (3Q19: 312.5m).
- EBIT* was EUR 44.1m (3Q19: 44.3m), translating to an EBIT* margin of 15.4% (3Q19: 14.2%).
- Net result was EUR 29.4m (3Q19: 33.4m).
- Basic earnings per share (EPS) were EUR 3.93 cents (3Q19: 4.38 cents).
- Cash flow from operating activities before interest and tax in the quarter was EUR 54.1m (3Q19: 47.7m). Free cash flow at EUR 36.6m (3Q19: 29.0m).
- Net debt/EBITDA was 0.5x at quarter end (2Q20: 0.6x). Targeted capital structure is 2-3x net debt/EBITDA.
- Successful closing of TREIF acquisition on 8 October 2020, leverage was at 1.1x post the acquisition.

Financial highlights 9M 2020

- Orders received were EUR 914.4m (9M19: 919.5m).
- Revenues were EUR 894.5m (9M19: 963.6m).
- EBIT* was EUR 114.5m (9M19: 141.4m), translating to an EBIT* margin of 12.8% (9M19: 14.7%).
- Net result was EUR 73.5m (9M19: 99.9m).
- Basic earnings per share (EPS) were EUR 9.75 cents (9M19: 14.19 cents).
- Marel took actions earlier in the year that will deliver EUR 8m in annualized savings with around EUR 4m in non-recurring cost.
- Cash flow from operating activities before interest and tax was EUR 178.7m (9M19: 129.6m).

Arni Oddur Thordarson, CEO

"We are pleased to publish our results in the third quarter and first nine months of 2020. We are humble and upbeat when we look at the results and the outlook. Orders received in Q3 and in the first nine months of 2020 were on par with the respective periods last year. Demand for automation and more customer channel flexibility in the poultry, meat and fish segments is building up similar to other food value chains. The speed of change is fast, driven by consumers around the world seeking ready-to-cook products as part of a balanced diet that is both safe and affordable. Marel's digital platforms and global reach with local presence on every continent have proven to be key differentiating factors in these challenging times."

In Q3, we delivered revenues of EUR 287 million with EBIT margin of 15.4%. Even though revenues are down year-on-year, we deliver stable EBIT of EUR 44 million. The good operational results are driven by strong gross profit that is the result of a good mix, excellent delivery performance and lower operating expenses. By leveraging local teams with strong remote support from our hubs of specialized experts, we lower costs as well as the carbon footprint with less fly-in and fly-out services. This is a journey that was expected to take years but is now accelerated by the pandemic."

High margins and robust cash flow continues to support further growth and value creation. On 8 October, we successfully closed the acquisition of TREIF and remain financially strong with leverage post acquisition at x1.1 EBITDA. TREIF is a great strategic fit, their product portfolio is highly complementary and will strengthen our full-line offering in the meat segment. There is also great potential to cascade TREIF's cutting edge technology into the poultry and fish segments. TREIF enjoys a blue-chip customer base and their installed base is substantial."

Marel is in a pole position to further transform the food industry in good partnership with our long-standing customers. We will continue to systemically invest in innovation and infrastructure, well above the industry standard and use acquisitions and strategic partnerships to accelerate our journey. There is no way back, the speed of digital transformation is immense, and a more demand-driven food value chain will significantly contribute to the availability and affordability of safe and healthy food, while at the same time reduce waste and better utilize available resources. In times of such transformation on top of economic uncertainties, there will be fluctuations quarter-by-quarter. At Marel, we remain fully committed to our ambitious mid-, and long-term targets with continued growth and value creation."

Subsequent events: Acquisition of TREIF

On 8 October 2020, Marel concluded the acquisition of German food cutting technology provider TREIF Maschinenbau GmbH. Further information available [here](#).

KEY FIGURES (EUR m)

3Q20	3Q19	Δ YoY	As per financial statements	9M20	9M19	Δ YoY
287.2	312.5	-8.1%	Revenues	894.5	963.6	-7.2%
112.5	119.5	-5.9%	Gross profit	334.0	375.1	-11.0%
39.2%	38.2%		Gross profit as a % of revenues	37.3%	38.9%	
44.1	44.3	-0.5%	Adjusted result from operations (Adjusted EBIT)	114.5	141.4	-19.0%
15.4%	14.2%		EBIT* as a % of revenues	12.8%	14.7%	
55.7	56.4	-1.2%	EBITDA	150.2	176.6	-14.9%
19.4%	18.0%		EBITDA as a % of revenues	16.8%	18.3%	
(2.7)	(2.7)	0.0%	PPA related costs	(7.9)	(8.0)	-1.3%
41.4	41.6	-0.5%	Result from operations (EBIT)	106.6	133.4	-20.1%
14.4%	13.3%		EBIT as a % of revenues	11.9%	13.8%	
29.4	33.4	-12.0%	Net result	73.5	99.9	-26.4%
10.2%	10.7%		Net result as a % of revenues	8.2%	10.4%	
282.5	285.0	-0.9%	Orders Received	914.4	919.5	-0.6%
			Order Book	434.3	431.9	0.6%
3Q20	3Q19		Cash flows	9M20	9M19	
54.1	47.7		Cash generated from operating activities, before interest & tax	178.7	129.6	
49.8	34.6		Net cash from (to) operating activities	147.2	89.1	
(15.2)	(7.2)		Investing activities	(36.0)	(27.8)	
(108.1)	(11.9)		Financing activities	(330.3)	173.4	
(73.5)	15.5		Net cash flow	(219.1)	234.7	
			Financial position	30/09 2020	31/12 2019	
			Net Debt (Including Lease liabilities)	100.7	97.6	
			Operational working capital ¹⁾	34.3	64.0	
			Key ratios	9M20	9M19	
			Current ratio	1.0	1.6	
			Quick ratio	0.6	1.2	
			Return on equity ²⁾	10.5%	17.7%	
			Leverage ³⁾	0.5	0.5	
			Number of outstanding shares (millions)	747.9	759.9	
			Market capitalization in EUR billion based on exchange rate at end of period	3.2	3.2	
			Basic earnings per share in EUR cents	9.75	14.19	

FINANCIAL PERFORMANCE

Orders received during Q3 and in 9M 2020 on par with last year

- Orders received in the quarter were EUR 282.5m, up by 0.9% QoQ and down 0.9% YoY. Orders received for 9M20 were on par with last year, reflecting Marel's long-standing and strong customer relationships.
- Orders received continue to be well balanced between large projects, standard equipment and maintenance projects.
- The need for automation and digital solutions in the food value chain is driven by secular trends like population growth and urbanization. Additionally, the pandemic is placing more focus on minimizing human intervention as a means to improve hygiene and disease, as well as traceability and trust in the food value chain. Marel is uniquely positioned to support the food industry with the use of robotics, increased tracking & tracing and process control.
- Marel remains committed to its R&D investment of ~6.0% of revenues to maintain its technological leadership in the industry.

Solid order book

- The order book in the third quarter was EUR 434.3m (2Q20: 439.0m, 3Q19: 431.9m). This equals 35.8% of 12-month trailing revenues. The book-to-bill ratio was 0.98 (2Q20: 0.92, 3Q19: 0.91).
- Greenfields, such as large equipment orders, and large 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 book.
- Marel is a full-line provider to the poultry, meat and wild whitefish industry. With its strong product portfolio of solutions, software and services, Marel is well positioned to lead the transformation of the food processing industry and support food processors channel flexibility to chase consumer-ready products.
- The acquisition of cutting technology provider TREIF will enhance standard equipment sales for the meat industry, as well as its other segments focused on improving automation, food safety and flexibility and time to market for consumer-ready product offerings.

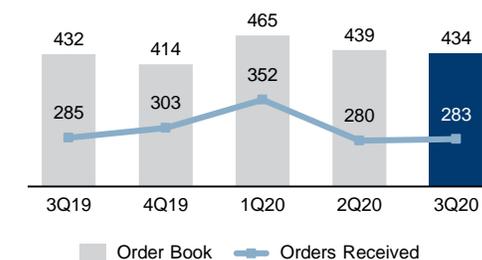
Revenues reflect seasonality

- Revenues totaled EUR 287.2m in 3Q20, down 6.1% QoQ and down 8.1% YoY.
- Aftermarket was 41% of total revenues (2Q20: 38%, 3Q19: 37%), including recurring service and spare parts revenues. Although service revenues were lower due to travel restrictions, this was compensated by growth in spares and good delivery performance.
- Marel's global reach with a local presence, with sales and service engineers servicing customers in over 140 countries, has proven to be a key differentiating factor in operational resilience, delivering the right quality at the right time. The local teams with virtual and remote global support from industry experts, have shown great solution-driven leadership in installation and aftermarket services, reducing the carbon footprint of fly-in fly-out.

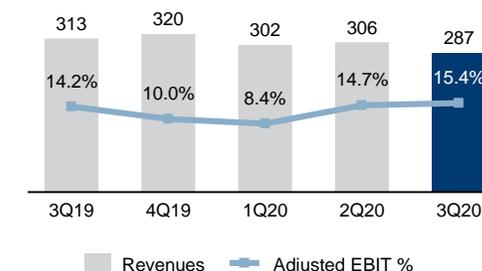
Strong gross margin, good mix and low OPEX delivering 15.4% EBIT

- Gross profit margin improved to 39.2% in the quarter (2Q20: 37.4%, 3Q19: 38.2%). The product mix was favorable with good levels of spare parts sales and good delivery performance. Gross profit was EUR 112.5m in the quarter (2Q20: 114.2m, 3Q19: 119.5m).
- Operating expenses were similar to 2Q20, with more focus on online solutions and virtual events as travel restrictions remain and trade show activity is yet to pick up.
- EBIT* margin was at 15.4% (2Q20: 14.7%, 3Q19: 14.2%).
- Net result was EUR 29.4m, down 4.2% QoQ and down 12.0% YoY.
- Basic EPS at EUR 3.93 cents (2Q20: 4.07 cents, 3Q19: 4.38 cents).

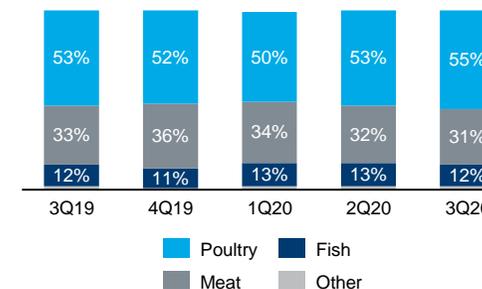
ORDER BOOK AND ORDERS RECEIVED EUR m



REVENUES AND EBIT* EUR m, %



REVENUES BY INDUSTRY %



FINANCIAL PERFORMANCE

Solid cash flow generation

- Cash flow was solid in the third quarter. Operational cash flow was EUR 54.1m (3Q19: 47.7m) and free cash flow was EUR 36.6m (3Q19: 29.0m).
- Inventories leveled off QoQ with EUR 180.6m at quarter-end (2Q20: 182.9m).
- Tax payments for 3Q20 were EUR 2.3m (3Q19: 11.5m) affected by timing of tax payments. In the 2021 budget of the Dutch Government, there is a proposal included to reverse the reduction of the corporate income tax rate. If the proposal is enacted, it would result in a negative impact on the Q4 2020 tax expense.
- A total of around EUR 100m has been returned to shareholders in the form of dividends and share buybacks in the first nine months of the year. In March 2020, a dividend of EUR 43.9m was declared for the operational year 2019 of which EUR 38.1m was paid in 2Q20 and EUR 5.8m was paid in 3Q20.
- Marel continues investing in the fundamentals. Cash flow related to investment activities in the quarter at EUR 15.2m (3Q19: 7.2m).

Strong financial position with leverage at 0.5x, moving to 1.1x post TREIF acquisition

- Leverage was 0.5x at the end of 3Q20 (2Q20: 0.6x) and 1.1x post TREIF acquisition which is well below the targeted capital structure (2-3x). Low leverage position enables Marel to take a leading role in the ongoing industry consolidation wave.
- Marel continues to have a strong financial position that will support continued investment and facilitate future strategic moves in line with the company's 2017-2026 growth strategy.
- Marel has secured liquidity of EUR 728.9m at quarter-end and fully committed funding in place until 2025.
- During 1Q20, Marel drew EUR 600m on the new syndicated revolving credit facility as a precautionary measure. The EUR 600m was repaid in the second and third quarter.

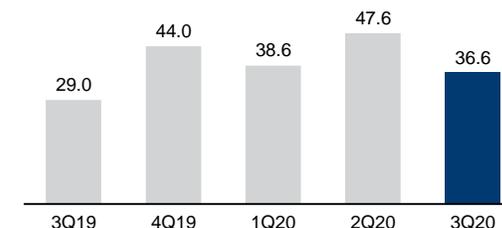
Successful closing of TREIF acquisition

- On 8 October 2020, Marel closed the acquisition of German food cutting technology provider TREIF as announced on 4 September.
- With EUR 80m in revenues and 500 employees, TREIF's leading cutting technology is highly complementary to Marel's existing product portfolio and will strengthen Marel's full-line product offering, increase standard equipment sales and leverage aftermarket potential. TREIF's largest business segments today are within meat and baked goods, and its technical capabilities can be cascaded to Marel's poultry and fish segments to accelerate the innovation roadmap.
- TREIF has established a blue-chip customer base and its installed base is substantial. By leveraging Marel's digital platform and global reach with local teams in all key regions, further growth is expected from cross- and upselling Marel products, exploring new customers retail channels and adjacent industries as well as aftermarket potential.
- The purchase price on a cash and debt free basis was paid with EUR 128m in cash and 2.9 million Marel shares. Ability to use Marel shares listed in EUR as acquisition currency was one of the objectives for Euronext listing.

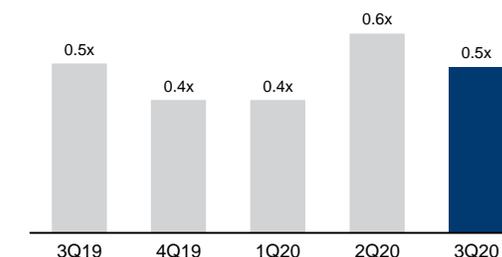
Resilient business model in challenging times

- Significant investments in recent years in Marel's global reach, digital platform and infrastructure, have been instrumental in positioning the company to successfully navigate a business environment colored by geopolitical uncertainty, trade constraints and change in consumer behavior already accelerated by the ongoing changes.
- Marel has a global manufacturing presence and flexibility in production, reducing supply chain risk. During the pandemic Marel has systematically built up sufficient safety stock of spare parts across locations to serve customer demand and ensure timely delivery.
- Sustainability focus is embedded throughout Marel's organization. Not only is it ingrained in our substantial innovation investments and the full-line product portfolio enabling sustainable production and reducing waste, new ways of working are also having a positive impact on Marel's CO² footprint, with online solutions and less fly-in fly-out.

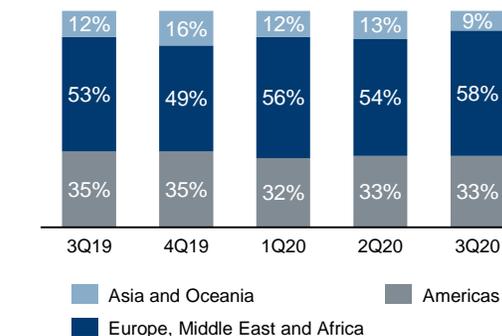
FREE CASH FLOW EUR m



LEVERAGE Net debt/EBITDA



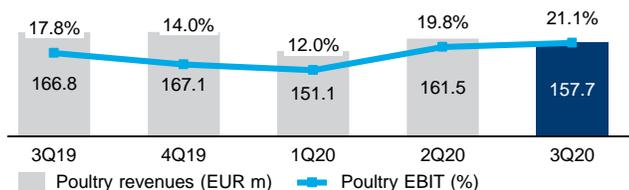
REVENUES BY GEOGRAPHY %



INDUSTRY PERFORMANCE

MAREL POULTRY

55% of total revenues and 21.1% EBIT margin in 3Q20.

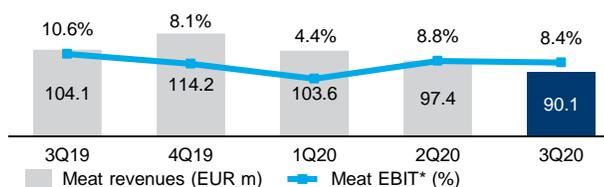


3Q20	3Q19	Change		9M20	9M19	Change
157.7	166.8	-5.5%	Revenues	470.3	523.3	-10.1%
33.3	29.7	12.1%	EBIT	83.5	97.1	-14.0%
21.1%	17.8%		EBIT as a % of revenues	17.8%	18.6%	

- 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.
- After a very strong start of the year orders received for Marel Poultry were softer in 3Q20, while the pipeline is building up, particularly in solutions to enhance channel flexibility for consumer-ready products.
- Revenues for Marel Poultry in 3Q20 were EUR 157.7m, down 5.5% YoY (3Q19: 166.8m). EBIT was EUR 33.3m (3Q19: 29.7m) and the EBIT margin was 21.1% (3Q19: 17.8%).
- Marel Poultry's EBIT margin continued on a strong level, driven by favorable product mix and strong aftermarket. Solid performance of Marel Poultry while the environment is colored by the pandemic.
- Poultry has proven the most resilient during the pandemic due to its convenience, affordability and ability to adapt to supply relatively quickly.

MAREL MEAT

31% of total revenues and 8.4% EBIT* margin in 3Q20.

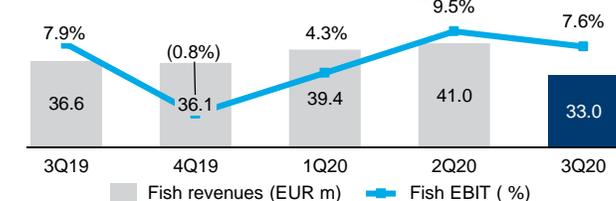


3Q20	3Q19	Change		9M20	9M19	Change
90.1	104.1	-13.4%	Revenues	291.1	309.0	-5.8%
7.6	11.0	-30.9%	EBIT*	20.8	35.4	-41.2%
8.4%	10.6%		EBIT* as a % of revenues	7.1%	11.5%	

- Full-line offering with focus on strong product development, increased standardization, modularization and market penetration and further cross- and upselling.
- The TREIF acquisition will double standard equipment sales for Marel Meat and enhance the full-line offering from post-farm to dispatch of consumer-ready products. Marel is at the center point to meet processors demand for more advanced solutions to serve the growing ready-to-cook segment.
- Orders received for Marel Meat are at a good level in 3Q20 and the pipeline is building up as customers are in need for more automation and flexibility, though the timing of orders is uncertain. After the downturn in China due to African Swine Fever, the rebuild and transformation of the value chain is starting up with higher investor confidence coming from that region.
- Revenues for Marel Meat in 3Q20 were EUR 90.1m, down 13.4% YoY (3Q19: 104.1m). EBIT* was EUR 7.6m (3Q19: 11.0m) and the EBIT* margin was 8.4% (3Q19: 10.6%).
- Management continues to target medium and long-term EBIT* margin expansion for Marel Meat.

MAREL FISH

12% of total revenues and 7.6% EBIT margin in 3Q20.



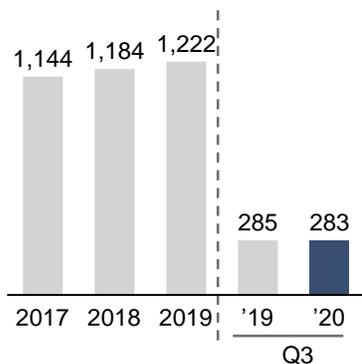
3Q20	3Q19	Change		9M20	9M19	Change
33.0	36.6	-9.8%	Revenues	113.4	112.4	0.9%
2.5	2.9	-13.8%	EBIT	8.1	6.7	20.9%
7.6%	7.9%		EBIT as a % of revenues	7.1%	6.0%	

- Full-line offering to the wild whitefish industry since 2020. Strong line offering with opportunities to improve breadth through innovation and / or M&A to reach full line offering across whitefish and salmon.
- Orders received for Marel Fish are at a similar level as prior quarter. Marel has installed reference plants with its innovation partners like Brim in Iceland, making the value chain more agile, dealing with different consumer channels for bone-free, ready-to-cook products at home and for high-end restaurant chains.
- Revenues for Marel Fish in 3Q20 were EUR 33.0m, 9.8% down YoY (3Q19: 36.6m). EBIT was EUR 2.5m (3Q19: 2.9m) and the EBIT margin was 7.6% (3Q19: 7.9%).
- Management continues to target medium and long-term EBIT margin expansion for Marel Fish.

INTERIM KEY FIGURES & OUTLOOK

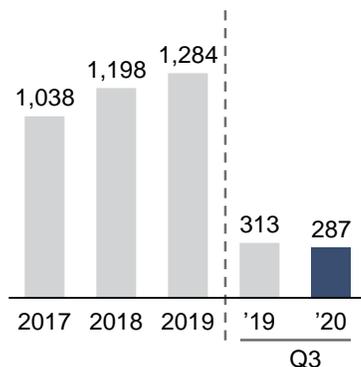
ORDERS RECEIVED

EUR m



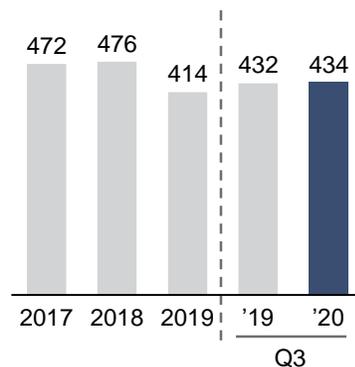
REVENUES

EUR m



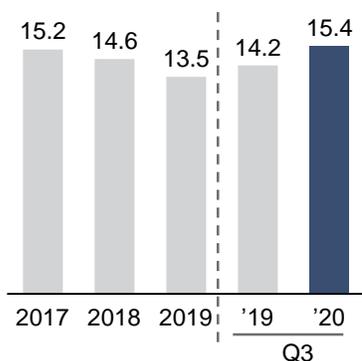
ORDER BOOK

EUR m



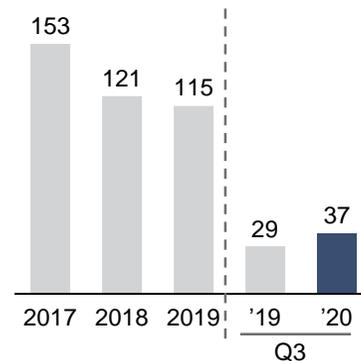
EBIT* MARGIN

%



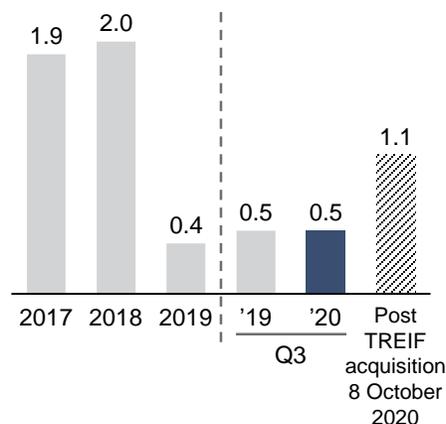
FREE CASH FLOW

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.
- 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 4-6% average annual market growth 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 2020

On Wednesday 21 October 2020, 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 www.marel.com/webcast and a recording will be available after the meeting on marel.com/ir.

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

IS: +354 800 7520

NL: +31 207 219 496

UK: +44 33 3300 9035

US: +1 833 823 0586

UPCOMING VIRTUAL INVESTOR EVENTS

- Berenberg, Pennyhill Conference London, 2 December

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

UPCOMING MAREL LIVE VIRTUAL EVENTS

- Whitefish Showhow – 21-22 October
- Whitefish Showhow, South Europe – 17 November
- Case Ready Steak, LatAm – 18 November
- Case Ready Hamburger, LatAm – 19 November
- Whitefish Showhow, LatAm – 25 November
- Salmon Showhow – 17 February

For the latest schedule please visit www.marel.com/events

FINANCIAL CALENDAR

- Marel will publish its financial results according to the below financial calendar:

- Q4 2020 – 3 February 2021

- 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.

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.

