



# 2 | CEO's operational report

Arni Oddur Thordarson, CEO

# 2.1 | Year of strategic moves and solid performance

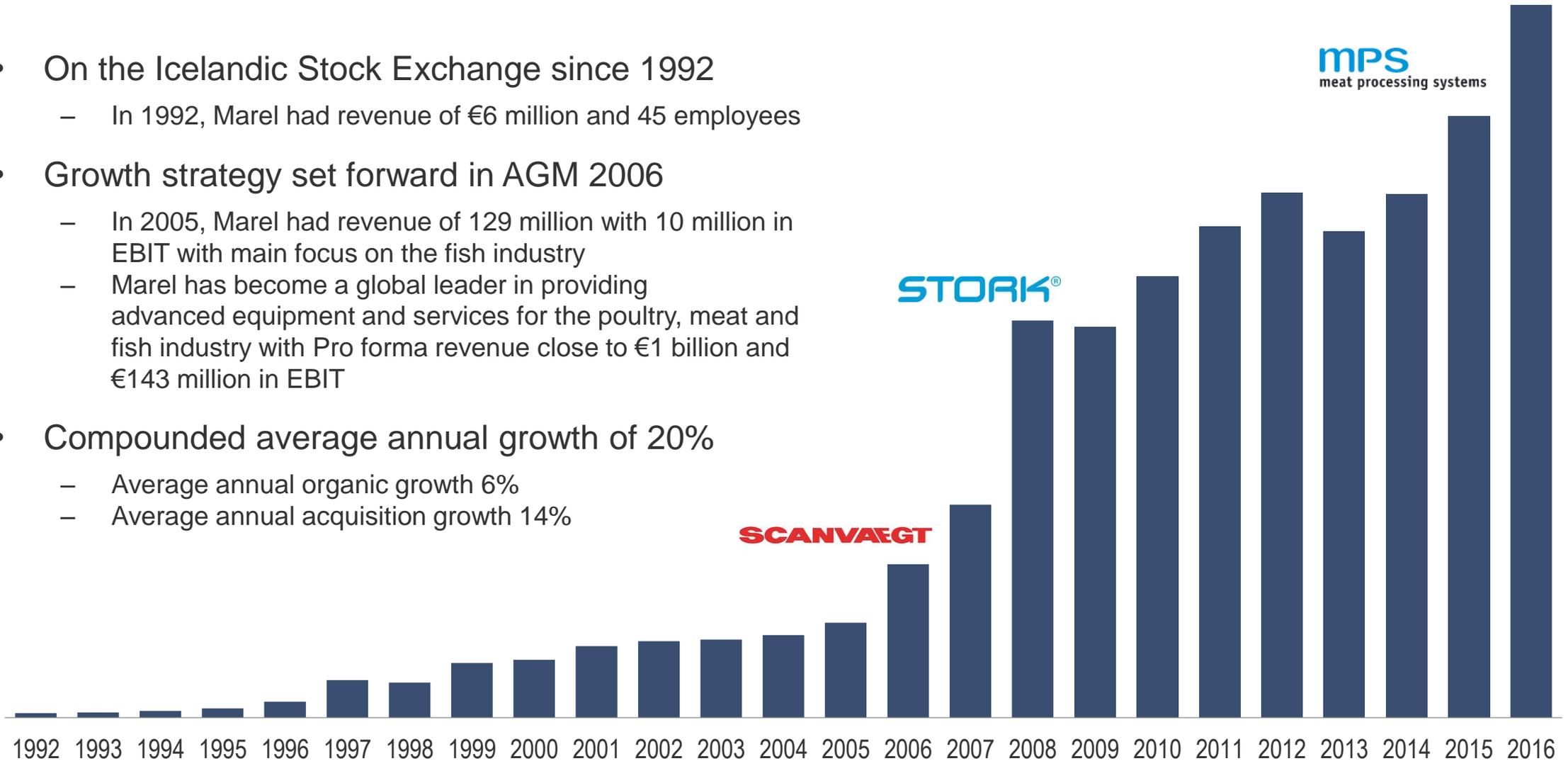
CEO's operational report



# Strategic acquisitions and strong organic growth



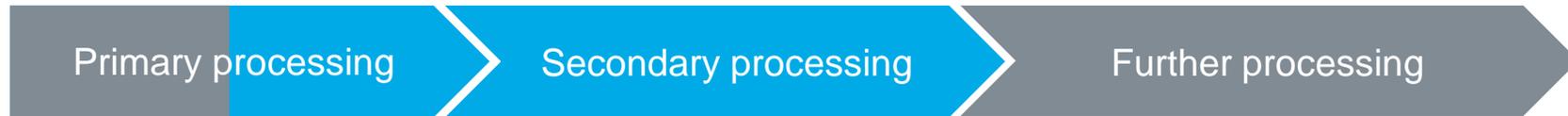
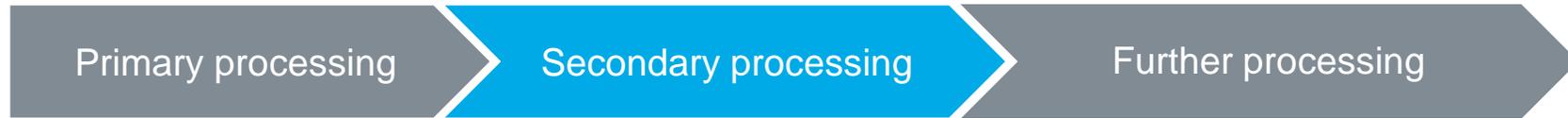
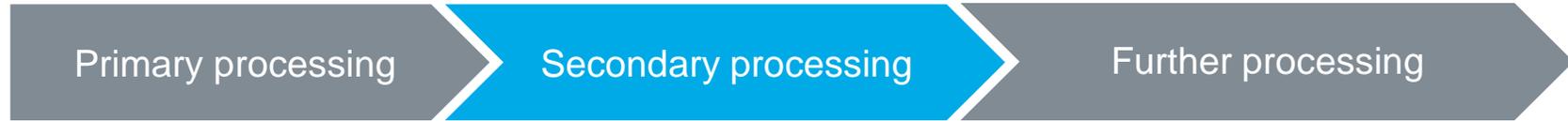
- On the Icelandic Stock Exchange since 1992
  - In 1992, Marel had revenue of €6 million and 45 employees
- Growth strategy set forward in AGM 2006
  - In 2005, Marel had revenue of 129 million with 10 million in EBIT with main focus on the fish industry
  - Marel has become a global leader in providing advanced equipment and services for the poultry, meat and fish industry with Pro forma revenue close to €1 billion and €143 million in EBIT
- Compounded average annual growth of 20%
  - Average annual organic growth 6%
  - Average annual acquisition growth 14%



# Strategic acquisitions



2006



# Strategic acquisitions



2008

STORK®



# Strategic acquisitions



2015

**mPS**  
meat processing systems



# Leading global provider of systems and services



# MPS acquisition | Integration on track

Acquisition closed in January 2016; €382 million on a debt and cash-free basis

Senior long-term financing agreement of €670 million reached at favorable terms with eight strong international banks

Finalized without issuing new shares

- Starting leverage of x2.9 net debt/EBITDA
- Solid operational performance and strong cash flow driving net debt/EBITDA to x2.25



# Marel invests 6% of revenue in innovation to drive growth



**ATLAS live bird handling system**



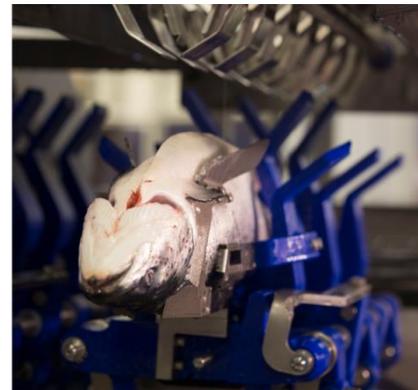
**Thigh Fillet System**



**AMF-i breast cap filleting system**



**I-Cut 130 PortionCutter**



**MS 2720 Salmon Deheader**

Over 25 new products launched in 2016

## 2.2 | Operational and financial highlights

CEO's operational report



# Solid performance with €983m in revenue and 14.6% EBIT\*



- Pro forma revenue of €983 million
  - Organic growth between years: 3%
  - Acquisition growth between years: 16%
- Order intake of €1,013 million
  - Order intake at all time high in Q4 after a soft beginning of the year
  - Entering 2017 with a strong order book
- EBIT\* €143 million or 14.6%
- Strong financials
  - Earnings per share increase by 34%
  - Net leverage of 2.25 at the end of the year



*\*Adjustments in 2016 consist of a €24.6 million amortization of acquisition-related intangible assets (PPA)*

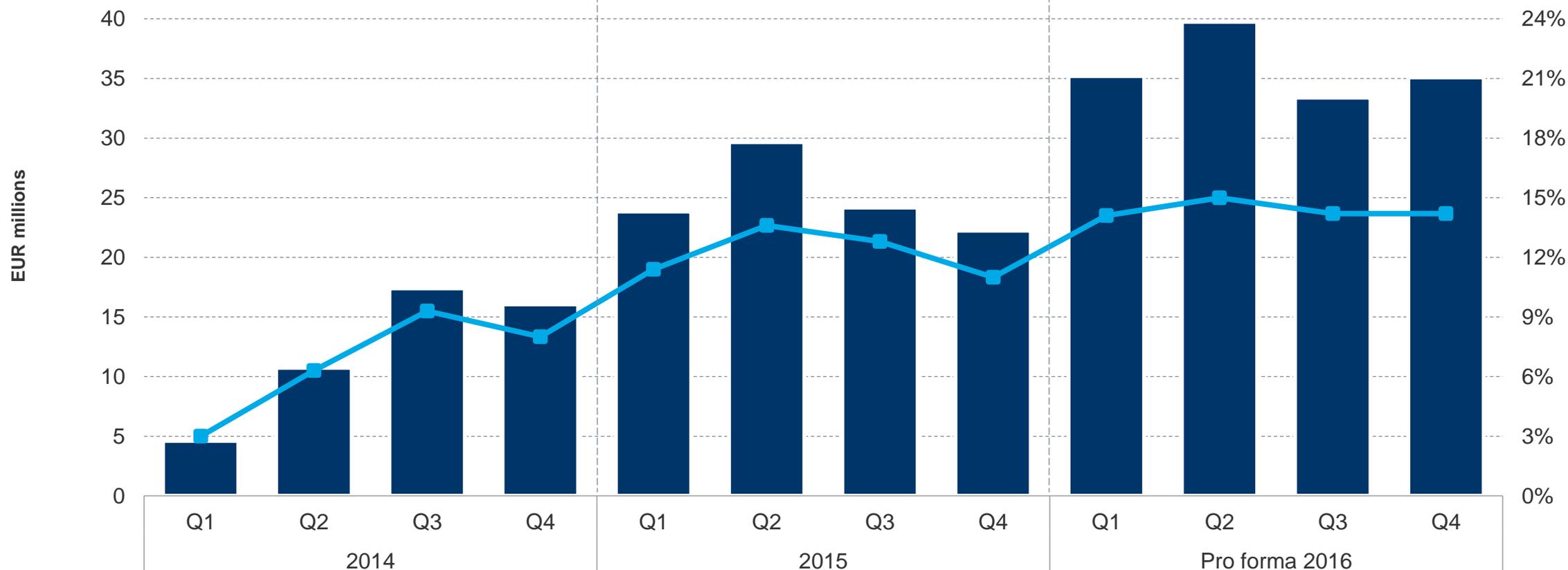
# On track towards best in class profitability



Adjusted EBIT in 2014: **6.8%**

Adjusted EBIT in 2015: **12.2%**

Pro forma EBIT: **14.6%**  
Consolidated: 14.4%



■ EBIT      ■ EBIT as % of revenue

*Note: Operating income adjusted for amortization of acquisition-related intangible assets (PPA) in 2016. 2014 and 2015 EBIT adjusted for refocusing cost and acquisition costs.*

# Pro forma: Business overview for the full year of 2016



## POULTRY

Solid operational profit margins and strong volume with Good geographic and product mix

Record order intake in Q4 with landmark Greenfield project secured in S-Korea and various other projects around the globe

52% of revenue  
16.6% EBIT margin



## MEAT

Strong operational performance in 2016

Integration on track, front-end sales team unified and MPS now fully under the Marel brand

In Q4 large sales secured in Europe, U.S. and S-America

34% of revenue  
15.6% EBIT\* margin



## FISH

Onboard business in Seattle streamlined and focus shifted to high-tech innovative solutions.

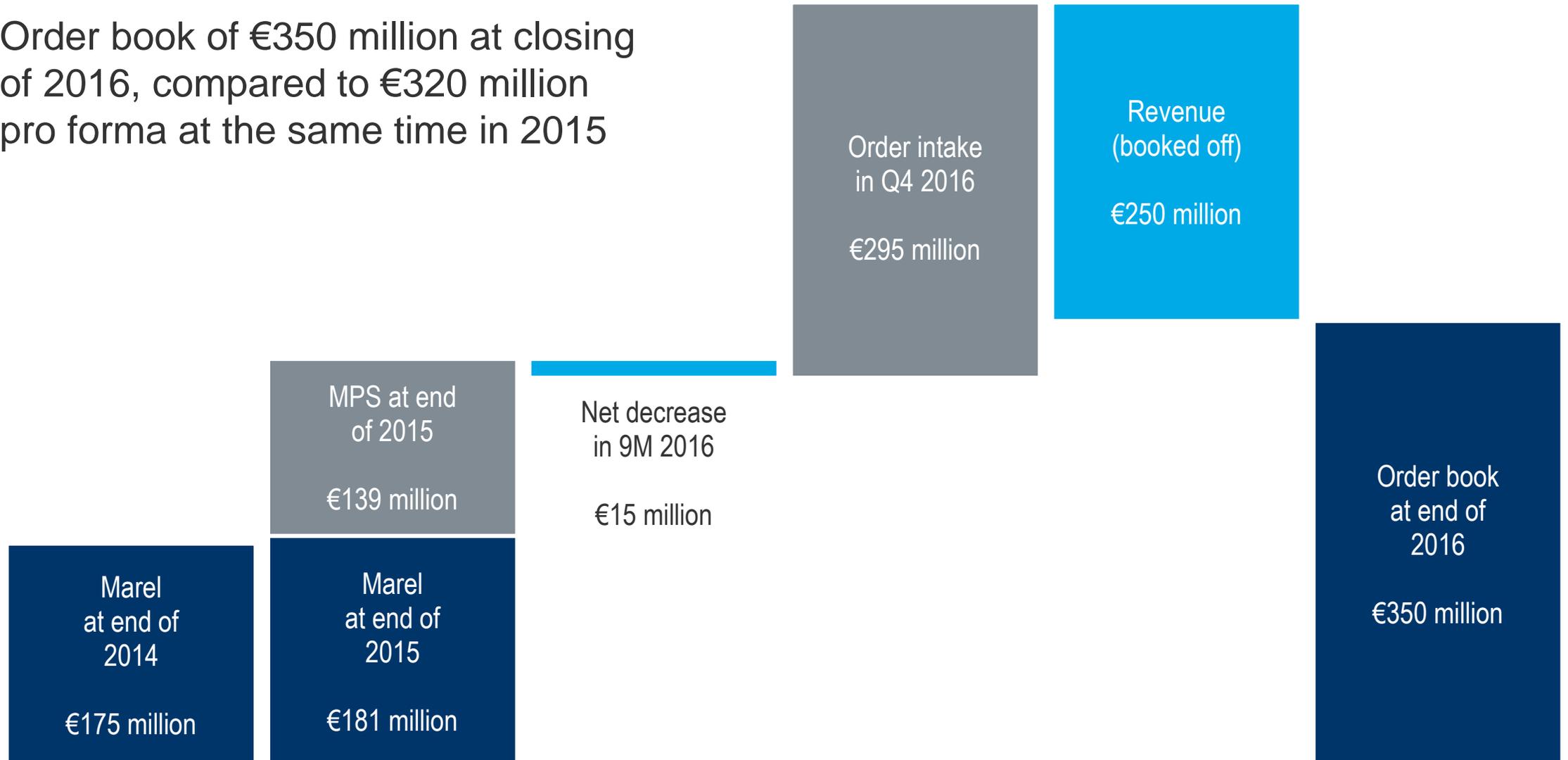
Record order intake in Q4 after soft start of the year. Landmark project in Norway and various other projects in S- America, N- America and Europe

13% of revenue  
3.1% EBIT margin

# Entering 2017 with a strong order book



- Order book of €350 million at closing of 2016, compared to €320 million pro forma at the same time in 2015



# Consolidated: Full year financial results



<i>EUR thousands</i>	<b>FY 2016</b>	<b>FY 2015</b>	<b>Change in %</b>
Revenue .....	969,671	818,602	18.5
Gross profit .....	397,008	319,515	24.3
<i>as a % of revenue</i>	40.9	39.0	
<b>Before PPA</b>			
Result from operations (EBIT) .....	139,361	99,895**	39.5
<i>as a % of revenue</i>	14.4	12.2	
EBITDA .....	175,440	135,751**	29.2
<i>as a % of revenue</i>	18.1	16.6	
<b>After PPA</b>			
Result from operations (EBIT) .....	114,776	81,613	40.6
<i>as a % of revenue</i>	11.8	10.0	
EBITDA .....	175,440	120,813	45.2
<i>as a % of revenue</i>	18.1	14.8	
Net result .....	75,844	56,696	33.8

\*\* Results are adjusted for refocusing costs related to the refocusing program *Simpler, Smarter, Faster*, and acquisition costs.

# Consolidated: Balance sheet



<b>ASSETS</b> <i>(EUR thousands)</i>	<b>31/12 2016</b>	<b>31/12 2015</b>
<b>Non-current assets</b>		
Property, plant and equipment .....	118,991	89,005
Goodwill .....	635,180	389,407
Other intangible assets .....	277,458	107,018
Trade receivables .....	237	443
Derivative financial instruments .....	447	-
Deferred income tax assets .....	7,343	10,029
	<hr/> 1,039,656	<hr/> 595,902
<b>Current assets</b>		
Inventories .....	122,250	99,382
Production contracts .....	36,962	17,261
Trade receivables .....	115,259	99,696
Assets held for sale .....	-	3,799
Other receivables and prepayments .....	32,723	29,139
Derivative financial instruments .....	55	-
Cash and cash equivalents .....	45,523	92,976
	<hr/> 352,772	<hr/> 342,253
<b>Total assets</b>	<hr/> <b>1,392,428</b> <hr/>	<hr/> <b>938,155</b> <hr/>

# Consolidated: Balance sheet



EQUITY AND LIABILITIES <i>(EUR thousands)</i>	31/12 2016	31/12 2015
<b>Group equity</b>	<b>525,573</b>	<b>446,739</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings .....	425,014	217,287
Deferred income tax liabilities .....	63,458	15,943
Provisions .....	7,361	6,943
Derivative financial instruments .....	4,946	3,057
	500,779	243,230
<b>Current liabilities</b>		
Production contracts.....	150,769	78,330
Trade and other payables .....	168,980	139,227
Current income tax liabilities .....	9,081	3,221
Borrowings .....	24,117	18,449
Provisions .....	13,129	8,959
	366,076	248,186
<b>Total liabilities</b>	<b>866,855</b>	<b>491,416</b>
<b>Total equity and liabilities</b>	<b>1,392,428</b>	<b>938,155</b>

# Cash flow composition



## CASH FLOWS FROM OPERATING ACTIVITIES

### Free cashflow

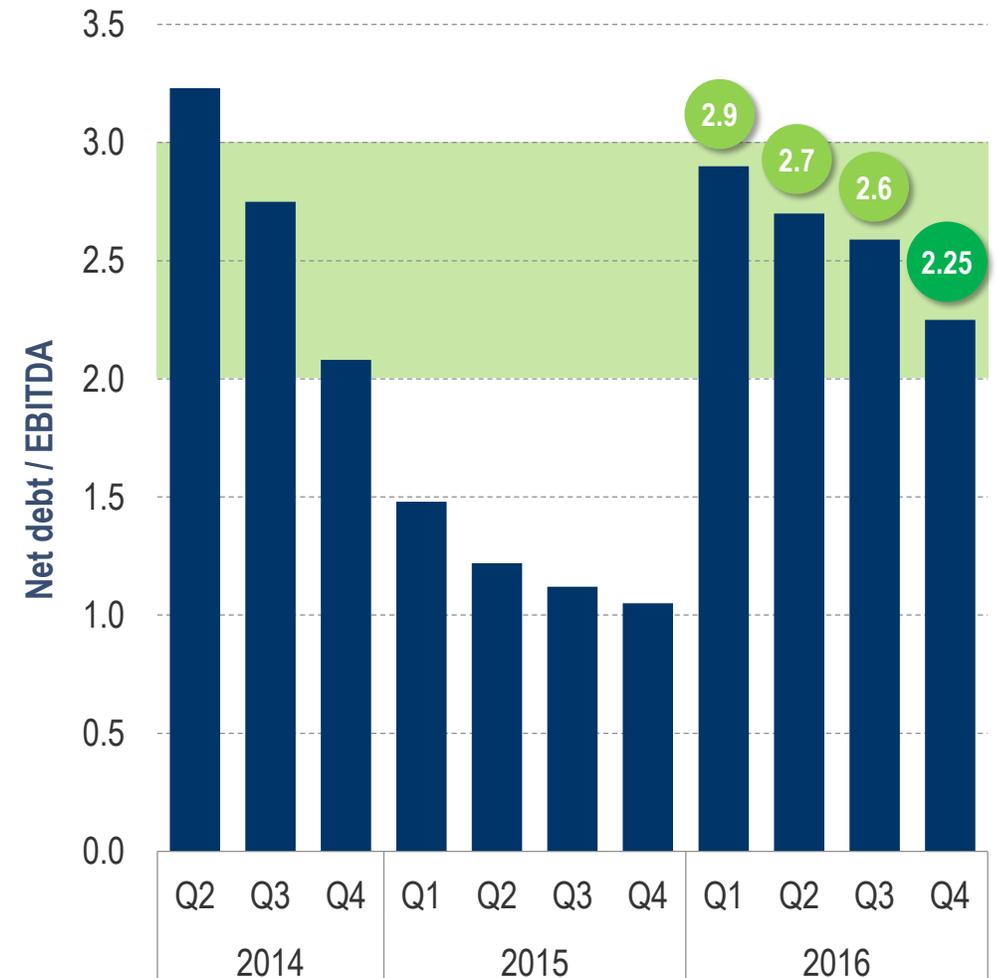
	2016	2015
Cash generated from operating activities .....	179,017	119,739
Taxes paid .....	(8,086)	(12,304)
Investing activities .....	(44,307)	(28,931)
	126,624	78,504

### Other cash flow items

Net finance cost .....	(33,791)	(13,783)
Net sale of treasury shares .....	10,884	(33,648)
Proceeds from assets held for sale .....	4,579	4,417
Dividends paid .....	(11,304)	(3,484)
Net proceeds from borrowings .....	220,795	26,409
Business combinations .....	(368,408)	6,655
	(177,245)	(13,434)

# Marel generating a healthy cash flow

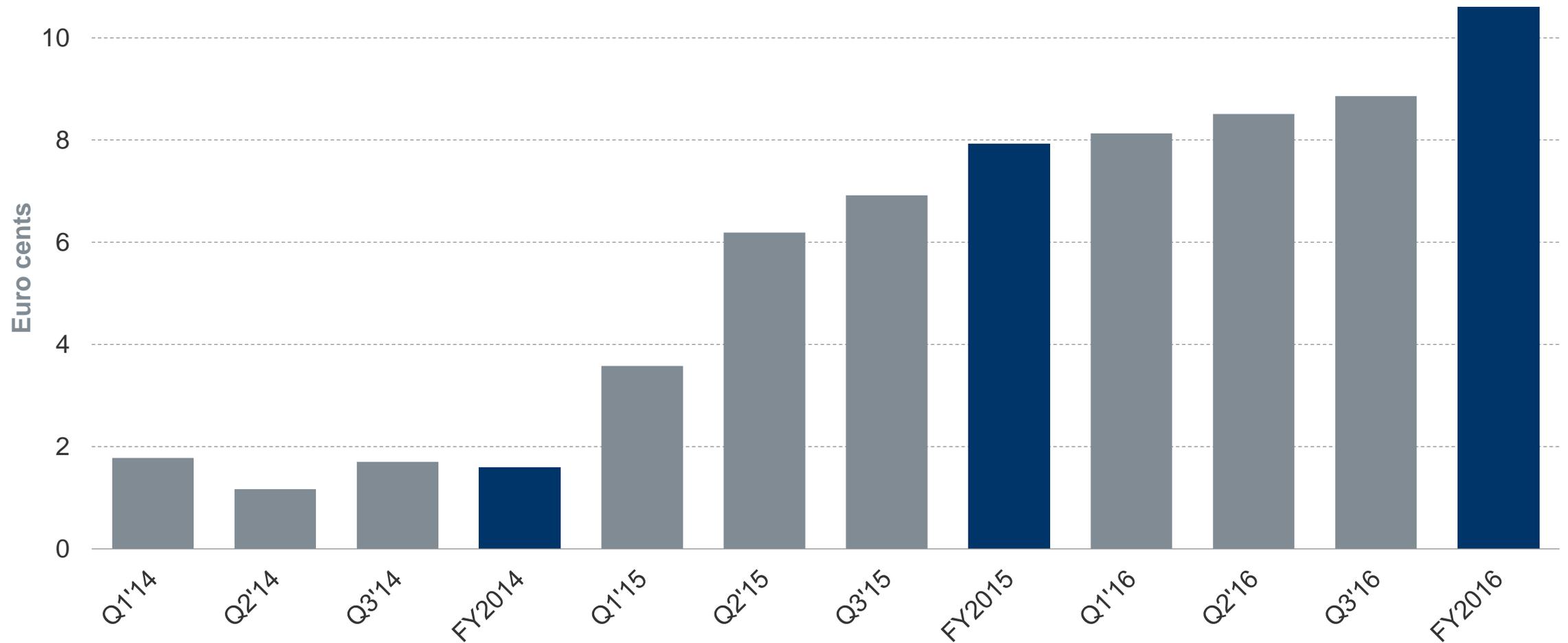
- Net debt / EBITDA leverage of 2.25 at end of 2016
  - Acquisition of MPS completed within the targeted capital structure with senior loans and without issuing any new shares
- Strong cash flow
  - Cash generated from operating activities 179 million
  - Free cash flow 127 million
- Marel is stimulating further revenue and operational profit growth by:
  - Streamlining the business
  - Continuous innovation
  - Investing in the business



# Earnings per share increased by 34% in 2016



EPS, trailing twelve months



## 2.3 | Business highlights

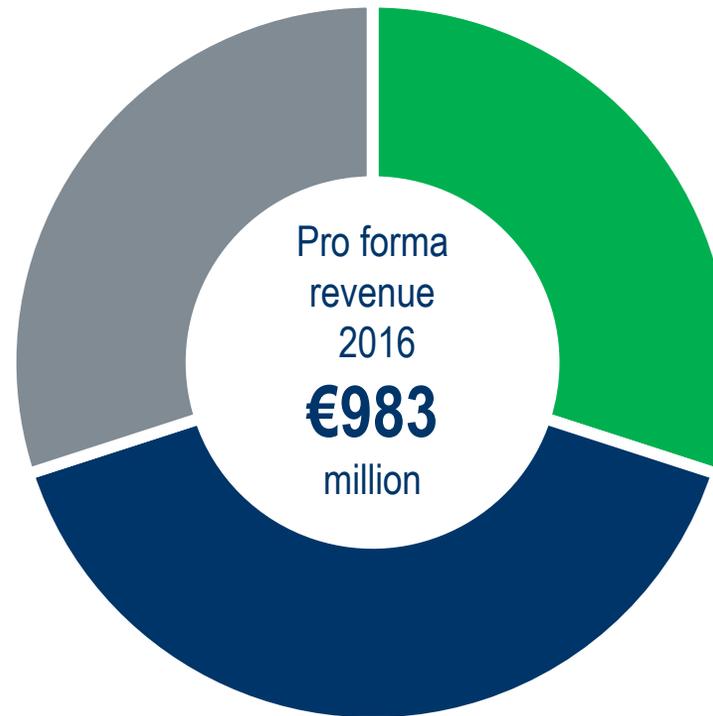
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# Strong business model supporting future growth



## Modernization and standard equipment ►

- Good volume in standard equipment across all industries and geographies throughout the year



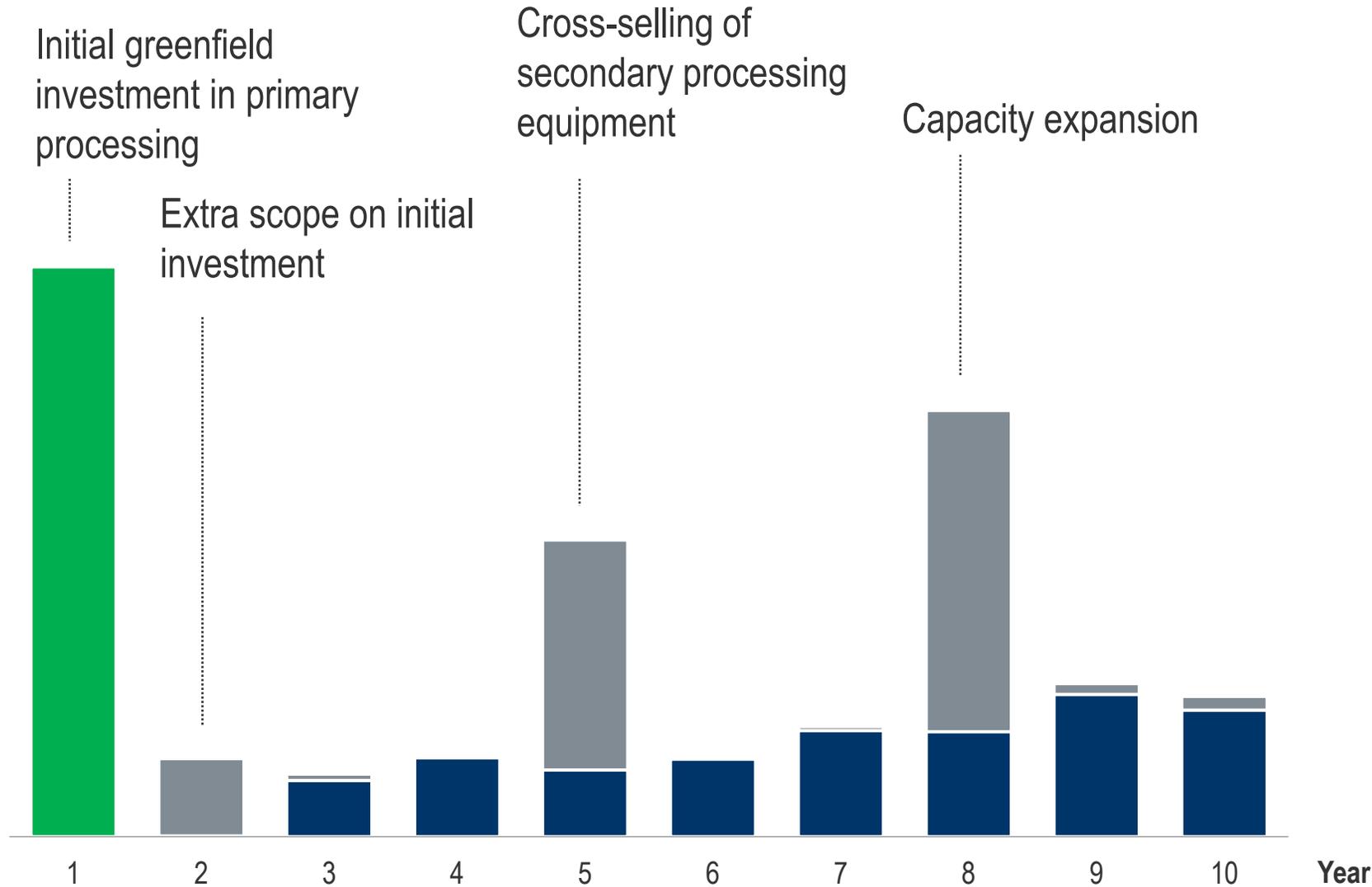
## ◀ Greenfields

- Landmark Greenfield projects secured in Europe, South-America, North-America and Asia in addition to smaller Greenfields in Africa and Middle-East

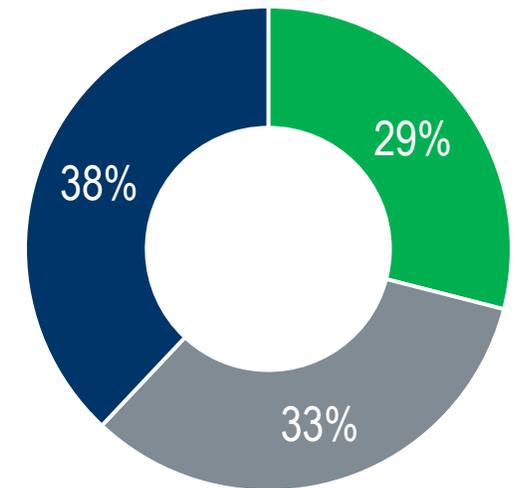
## Maintenance ▲

- Marel has the largest installed base in its industry
- Recurring service and spare parts revenues have increased steadily and were 36% of total revenues in 2016

# Case study: Long term customer relationship

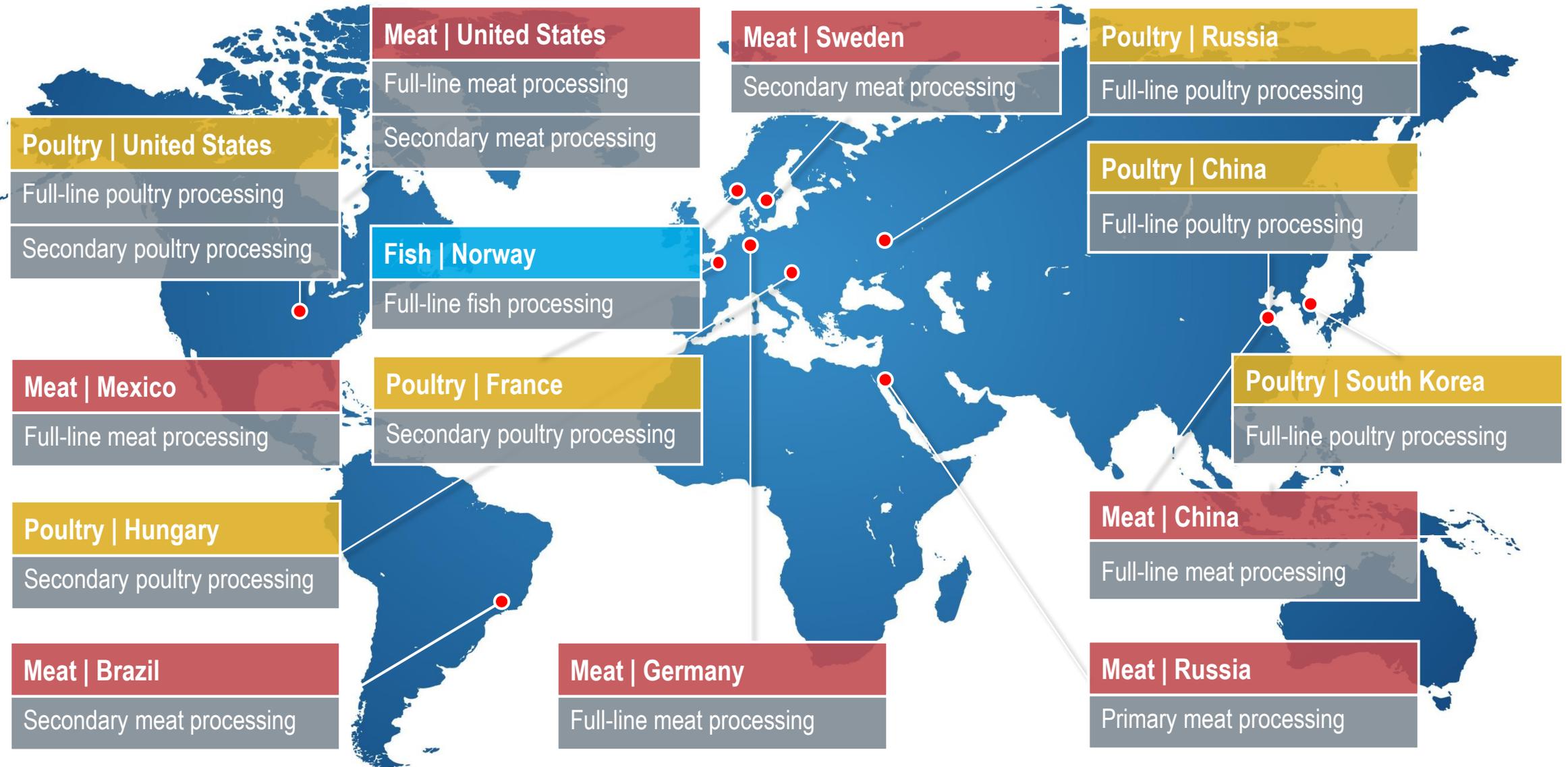


10 year revenue profile from a customer



- Initial investment
- Additional investment
- Service & spare parts

# Examples of large projects secured in 2016

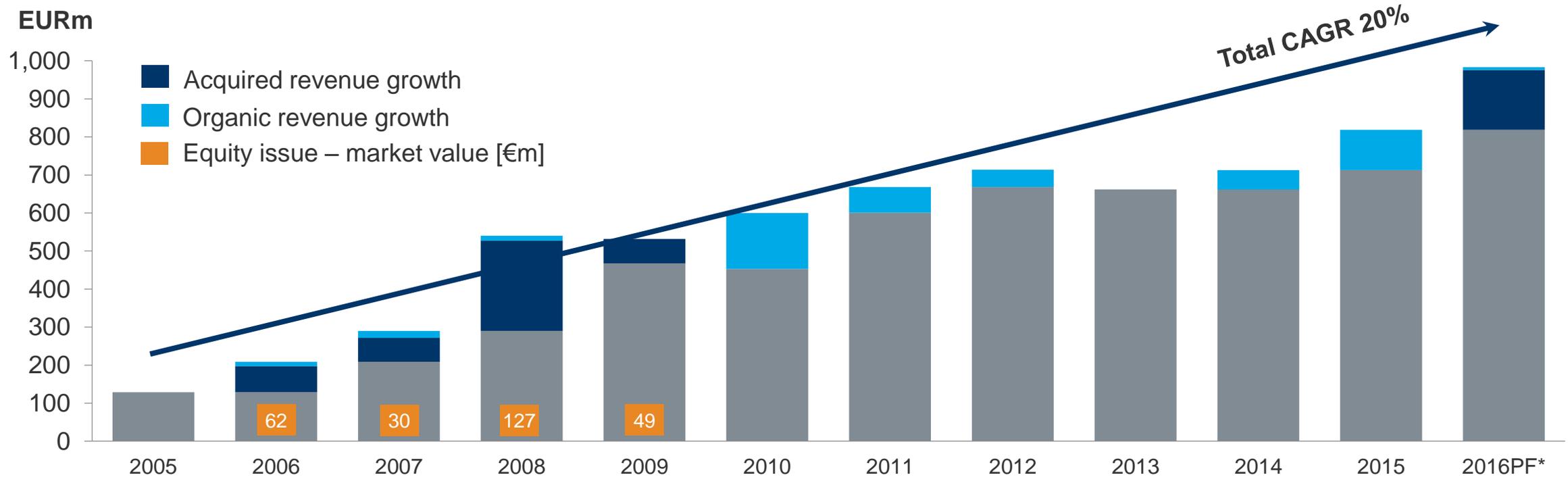


# 2.4 | Outlook and strategy

CEO's operational report



# Compounded annual revenue growth of over 20% since 2005



- Total revenue grew from €129 million in 2005 to €983 million in 2016\*
    - Average annual organic growth 6%
    - Average annual acquisition growth 14%
  - Good support from shareholders
    - Equity issued totaled 268 million in the period 2006-2009 to finance acquisitions of Scanvaegt and Stork Food Systems
    - MPS acquisition financed with solid operational performance and strong cash flow
- \* Marel pro forma revenue for 2016

# Focus on sustainable long term value creation



## Vision

- In partnership with our customers, we are transforming the way food is processed. Our vision is of a world where food is produced sustainably and affordably

## Strategy

- Leading global provider of advanced equipment, systems, software and services to the fish, meat and poultry industries across primary, secondary and further processing

## Revenue growth and profitability

- Marel is targeting 12% average annual revenue growth in the next 10 years
  - Marel's management expects 4-6% average annual market growth in the long term
  - Marel aims to grow organically faster than market driven by innovation and market penetration
  - Maintaining solid operational performance and strong cash flow supports average 5-7% revenue growth by acquisition
  - Growth in Earnings per Share (EPS) faster than revenue growth

## Capital allocation

- Strategic innovation and acquisitions with attractive return on investment
- Invest in the platform to be best-in-class in operations
- Return capital to shareholders



Thank you

