

Q1 2021

PRESS RELEASE

28 APRIL 2021



Q1 2021 – Scaling up ahead of the growth curve

EXECUTIVE SUMMARY

Financial highlights Q1 2021

- **Strong orders received and pipeline is growing**
 - **Margins impacted by logistics and mobility challenges as the pandemic escalated**
 - **Profitability hampered by step up in sales and service coverage and strategic improvement initiatives**
- Orders received were EUR 369.4m (1Q20: 351.8m).
 - The order book was EUR 455.3m (4Q20: 415.7m, 1Q20: 464.6m).
 - Revenues were EUR 334.0m (1Q20: 301.6m).
 - EBIT¹ was EUR 38.0m (1Q20: 25.4m), translating to an EBIT¹ margin of 11.4% (1Q20: 8.4%).
 - Net result was EUR 21.2m (1Q20: 13.4m).
 - Basic earnings per share (EPS) were EUR 2.82 cents (1Q20: 1.76 cents).
 - Cash flow from operating activities before interest and tax was EUR 60.2m (1Q20: 61.5m).
 - Free cash flow at EUR 45.5m (1Q20: 38.6m)
 - Net debt/EBITDA was 0.8x at the end of March (4Q20: 1.0x, 1Q20: 0.4x). Targeted capital structure is 2-3x net debt/EBITDA.

Corporate highlights Q1 2021:

- As of 4 Jan 2021, Curio was consolidated into Marel's financial results.
- Acquisition of Dutch duck processing solutions provider Poultry Machinery Joosten (PMJ) announced on 21 Jan 2021, and acquisition of a 40% stake in Stranda Prolog, a Norwegian provider of salmon processing solutions, announced on 29 Jan 2021.
- The 2020 virtual AGM on 17 Mar approved all proposals and the Board was re-elected with Arnar Thor Masson as the new chairman.

Arni Oddur Thordarson, CEO:

"We start the year on a strong note with orders received of EUR 369 million, compared to the previous record orders of EUR 352 million in 1Q 2020. The dynamics this year are different. While 2020 started strong and slowed down from March onwards, 2021 started slow but really took off in March and the outlook is positive.

We are stepping up investments in local sales and service coverage around the world, and continue to innovate and introduce new revolutionary solutions focused on the consumer-ready market. Orders received for standard equipment and aftermarket were strong in the quarter. Conversion from pipeline for large greenfield projects was at a record level in the meat segment where we secured landmark orders, albeit softer in the poultry and fish segment in the quarter. The pipeline continues to grow in all industry segments and we are targeting strong orders received in the coming quarters. Automation and digital solutions in the food value chain continue to be key drivers for our industry, and Marel is well positioned to support the food industry to prepare for shifting market dynamics and change in consumer behavior.

In China we secured a large greenfield project with Muyuan Group, the world's second largest pig breeder, that is vertically integrating its operations to encompass feed mills, farming and processing facilities. The project consists of several lines replicated across multiple locations to ensure a harmonized way of working and seamless flow of high quality pork products. We are also working with the large and forward-thinking customer Frimesa on a pork processing plant in Brazil, which will be the largest and most advanced in Latin America.

Operational profit was 11.4% on a revenue base of EUR 334 million in the quarter. Challenges in terms of logistics and mobility in the quarter were at a greater magnitude than before. Ensuring timely delivery and installation did lead to higher costs in manufacturing, aftermarket and transportation, impacting gross profit. Sales and administrative cost was also at higher levels than in past quarters. We are stepping up market coverage and taking on important initiatives to automate and digitize our manufacturing platform, supply chain and aftermarket business to create more agility and flexibility in our operations ahead of the anticipated growth curve. I am encouraged and proud to see how our passionate team managed to engage with our customers and deliver sales, installation and services in a very challenging environment.

Cash flow was robust and leverage was 0.8x net debt/EBITDA at the end of March. We continued to strengthen our full-line offering with acquisitions focused on the fish and duck markets in the quarter. 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."

KEY FIGURES (EUR m)

As per financial statements	1Q21	1Q20	Δ YoY
Revenues	334.0	301.6	10.7%
Gross profit	124.4	107.3	15.9%
Gross profit as a % of revenues	37.2%	35.6%	
Adjusted result from operations (Adjusted EBIT)	38.0	25.4	49.6%
EBIT ¹ as a % of revenues	11.4%	8.4%	
EBITDA	47.3	37.6	25.8%
EBITDA as a % of revenues	14.2%	12.5%	
Non-IFRS adjustments	(7.9)	(2.6)	203.8%
Result from operations (EBIT)	30.1	22.8	32.0%
EBIT as a % of revenues	9.0%	7.6%	
Net result	21.2	13.4	58.2%
Net result as a % of revenues	6.3%	4.4%	
Orders Received	369.4	351.8	5.0%
Order Book ²	455.3	464.6	-2.0%

Cash flows

	1Q21	1Q20
Cash generated from operating activities, before interest & tax	60.2	61.5
Net cash from (to) operating activities	54.9	44.0
Investing activities	(31.7)	(10.5)
Financing activities	(3.4)	361.8
Net cash flow	19.8	395.3

Financial position

	31/03 2021	31/12 2020
Net Debt (Including Lease liabilities)	185.0	205.2
Operational working capital ³	85.7	78.9

Key ratios

	1Q21	1Q20
Current ratio	1.0	2.2
Quick ratio	0.7	1.9
Return on equity ⁴	8.9%	5.8%
Leverage ⁵	0.8	0.4
Number of outstanding shares (millions)	752.4	755.9
Market capitalization in EUR billion based on exchange rate at end of period	4.5	2.7
Basic earnings per share in EUR cents	2.82	1.76

FINANCIAL PERFORMANCE

Strong orders received in the quarter

- Orders received in the quarter were EUR 369.4m, up 15.5% QoQ and 5.0% YoY. Orders received in the first quarter include orders from the newly acquired entities of TREIF (meat and other), Curio (fish) and PMJ (poultry).
- Across all industries, orders received were strong for standard equipment and aftermarket. Marel has stepped up market coverage and recently launched revolutionary solutions in consumer-ready products.
- Marel Meat secured several landmark orders in the quarter, while conversion from pipeline of large orders was soft for Marel Poultry and Marel Fish. The pipeline for large greenfields and modernization projects is building up in all industries.
- The need for automation and digital solutions in the food value chain is driven by secular trends like population growth and urbanization. COVID-19 has been an accelerator for these trends in terms of social distancing, access to labor and hygiene. In addition, shifting market dynamics and change in consumer behavior are also driving demand.
- The book-to-bill ratio in the quarter was 1.11, compared to an average of 1.00 in the past 4 quarters (1Q20-4Q20).

A healthy order book with landmark orders from China and Brazil

- The order book at end of March was EUR 455.3m (4Q20: 415.7m, 1Q20: 464.6m), representing 36% of 12-month trailing revenues.
- Marel Meat secured a landmark order from Muyuan Group, the world's second-largest pig breeder. Muyuan is building sophisticated processing facilities in China, close to the pig farms to help control and eliminate ASF and other animal diseases. Muyuan is adopting Marel's most advanced primary meat processing lines to take best advantage of industry-leading electronic and digital technology.
- Another landmark project for Marel Meat is the Frimesa pork processing plant in Brazil, which will be the largest and the most advanced in Latin America.
- 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.

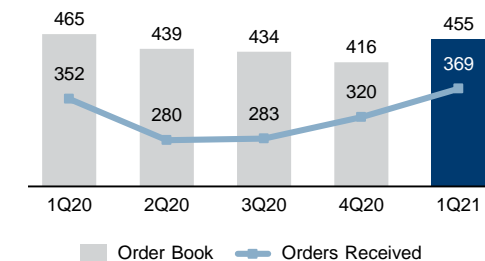
Revenues of EUR 334m with 39% solid recurring aftermarket revenues

- Revenues were EUR 334.0m in 1Q21, up by 10.7% YoY, and down 2.7% QoQ.
- Aftermarket represented 39% of total revenues in the quarter (4Q20: 38%, 1Q20: 41%). Robust spare parts revenues compensated for lower service revenues due to travel restrictions and logistical challenges.
- Revenues from consolidation of Curio (as of 4 Jan 2021) and acquisition of PMJ (as of 21 Jan 2021), were around EUR 3m in 1Q21. The 40% stake in Stranda Prolog is categorized as investment in associates.

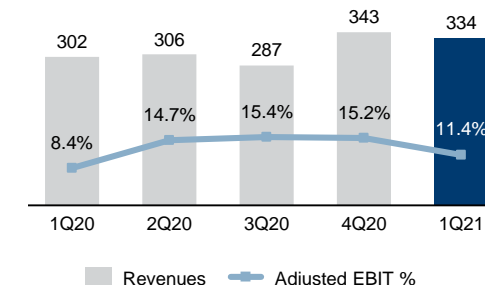
Profitability hampered by rising logistics costs, step up in sales and service coverage and strategic improvement initiatives

- COVID-19 had an impact on 1Q21 results. As the pandemic escalated in Jan-Feb, stringent lockdowns across several key geographies had an impact on the efficiency of operations. Ensuring timely delivery and installation for customers during a period of significant challenges in mobility and logistics, led to higher costs in manufacturing, aftermarket and transportation.
- Gross profit margin was 37.2% in the quarter (1Q20: 35.6%) and gross profit was EUR 124.4m (1Q20: 107.3m), positively impacted by mix but volume and margin were negatively impacted by mobility and logistics challenges.
- Sales and marketing (S&M) costs were at a level of 12.0% of revenues and reflect the step up in market coverage, and innovation cost was at 6.2% in line with plans to leverage global reach and digital solutions.
- General administrative (G&A) costs were high or 7.7% of revenues, rising temporarily due to several improvement projects to increase resilience and agility of operations. These are important initiatives to better service our customers and prepare for the organic growth ahead in line with a growing pipeline. Marel does not adjust results for non-recurring costs.
- EBIT¹ was EUR 38.0m (4Q20: 52.3m, 1Q20: 25.4m), translating to an EBIT¹ margin of 11.4% (4Q20: 15.2%, 1Q20: 8.4%).
- Net results was EUR 21.2m in the quarter (4Q20: 29.1m, 1Q20: 13.4m).
- EPS was EUR 2.82 cents (4Q20: 3.87 cents, 1Q20: 1.76 cents).

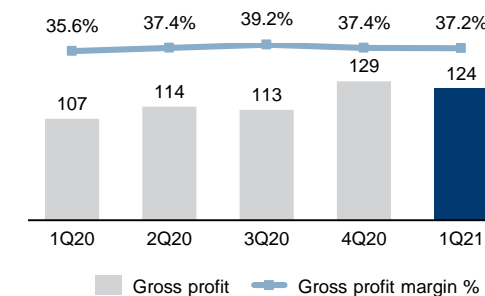
ORDER BOOK AND ORDERS RECEIVED EUR m



REVENUES AND EBIT¹ EUR m, %



GROSS PROFIT EUR m, %



FINANCIAL PERFORMANCE

Robust cash flow generation to support continued investments

- Both operational and free cash flow was robust in the quarter.
- Cash generated from operating activities in the quarter was EUR 60.2m (1Q20: 61.5m).
- Free cash flow in 1Q21 was EUR 45.5m (1Q20: 38.6m).
- Strong cash conversion supports continued investments in innovation, infrastructure and strategic moves.

Investments to support organic and strategic growth

- To best serve customer needs and capture growth opportunities from changing market dynamics, Marel is focusing on increasing digitalization and agility, leading to an increased level of investments in the coming years.
- Important initiatives identified, e.g. stepping up market coverage, 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.
- In 2021, Marel will open sales and service offices, as well as new demo centers in both Shanghai, China and Campinas, Brazil.

Leverage ratio of 0.8x and strong financial position to support 2017-2026 growth strategy

- Low leverage, committed liquidity of EUR 668.4m at the end of March, including fully committed all-senior funding in place until 2025, 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.
- Leverage was 0.8x at the end of 1Q21, compared to 1.0x at the end of 4Q20 following the TREIF acquisition closing in October 2020, and well below the targeted capital structure (2-3x).
- For acquisitions of Curio and PMJ, in addition to the 40% holding in Stranda Prolog, EUR 21.7m was paid out during the quarter.
- Dividend paid out in April corresponding to EUR 41.0m or 40% of net results (2020: 40%, 2019: 30%).

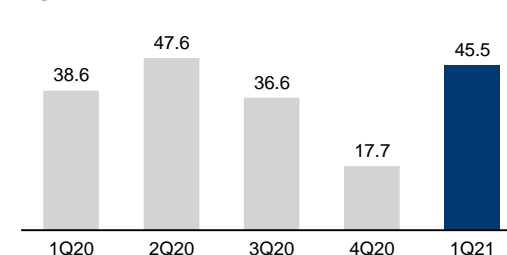
Resilient business model in a quarter of lockdown and logistics challenges

- The full economic impact of COVID-19 on Marel is uncertain.
- 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 the pandemic, geopolitical uncertainty, trade constraints and rapidly changing market dynamics and shifts in consumer behavior.
- Marel is a critical infrastructure company in the food industry. All manufacturing sites have remained open throughout the pandemic. In early 2020, Marel's manufacturing sites in close cooperation with our suppliers, diligently organized themselves to ensure business continuity and safety for both employees and customers.
- Marel's effort in recent years, to shorten production lead times and co-locate production, created more resilience in the supply chain. This together with the strategic inventory build-up allowed more agility in terms of serving customers' needs better and keeping the food value chain running.
- Marel provides virtual and remote support from our global platform to our local teams to engage and connect with our customers.

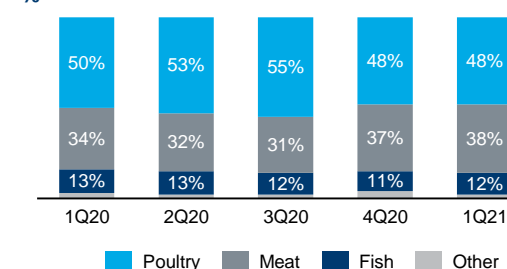
The 2021 virtual AGM approved all proposals and Board re-elected

- Arnar Thor Masson will lead the Board as Chairman, and Olafur Gudmundsson as the Vice-Chairman of the Board.
- After serving on the Board for 11 years, thereof more than 7 years as Chairman, Asthildur Margret Otharsdottir did not declare candidature. The Marel Board and management sincerely extend their gratitude for her strategic direction and excellent leadership throughout the years.
- Dr Svafa Gronfeldt is a new director elected to the Board. A Professor of Practice at MIT, Svafa is a founding member of MIT's newest innovation accelerator DesignX focused on the design and development of technology- and service-based ventures created at MIT, and a co-founder of the MET fund, a Cambridge based seed investment fund. Svafa is a director of the Board and Audit Committee of Össur and Icelandair.
- Remuneration policy was approved with ESG added as a parameter for the Executive Team total remuneration.

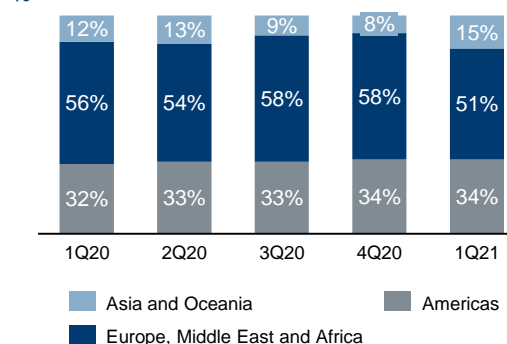
FREE CASH FLOW
EUR m



REVENUES BY INDUSTRY
%



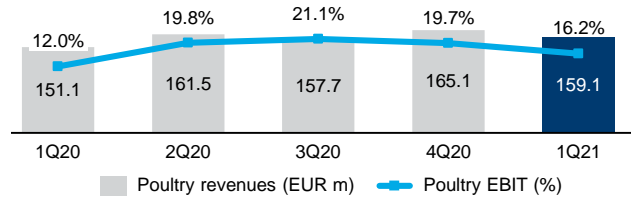
REVENUES BY GEOGRAPHY
%



INDUSTRY PERFORMANCE

MAREL POULTRY

1Q21: 48% of total revenues with 16.2% EBIT¹ margin

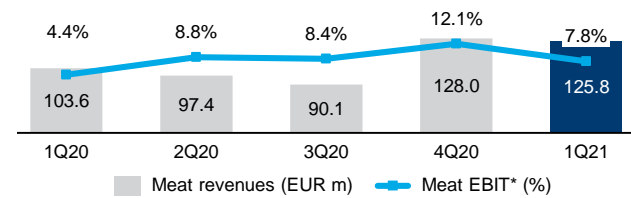


	1Q21	1Q20	Change
Revenues	159.1	151.1	5.3%
EBIT ¹	25.8	18.2	41.8%
EBIT ¹ as a % of revenues	16.2%	12.0%	

- *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.
- *M&A*: Following the acquisition of PMJ, Marel will expand its third pillar within poultry processing and become the industry's only full-line provider of duck processing solutions for this large and growing market, where 70% of demand comes from China.
- *Orders received* for Marel Poultry in 1Q21 were strong in standard equipment and aftermarket, while orders for larger projects were soft. Pipeline is building up in all processing steps, although timing of conversion into firm orders is uncertain.
- *Revenues* in 1Q21 for Marel Poultry were EUR 159.1m, up 5.3% YoY compared to 1Q20 which was a soft revenue quarter for Marel Poultry.
- *EBIT* in 1Q21 was EUR 25.8m (1Q20: 18.2m) and the EBIT margin was 16.2% (1Q20: 12.0%). EBIT was positively impacted by product mix, while lower volume of large projects had a negative impact.

MAREL MEAT

1Q21: 38% of total revenues with 7.8% EBIT¹ margin

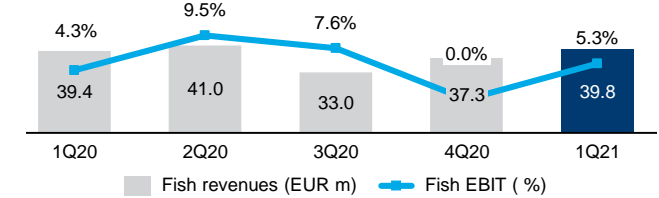


	1Q21	1Q20	Change
Revenues	125.8	103.6	21.4%
EBIT ¹	9.8	4.6	113.0%
EBIT ¹ as a % of revenues	7.8%	4.4%	

- *Full-line offering* with focus on strong product development, increased standardization, modularization and market penetration and further cross- and upselling.
- *M&A*: The TREIF acquisition doubled standard equipment sales for Marel Meat and enhanced the full-line offering from post-farm to dispatch of consumer-ready products.
- Newly launched solutions, SensorX Magna and Accuro, are gaining traction for focus on food safety and sustainability in consumer-ready products.
- *Orders received* in 1Q21 for Marel Meat were strong in both large projects and standard equipment. Landmark deals secured in China and Brazil, as customers pursue greater automation and channel flexibility. Pipeline remains strong.
- *Revenues* in 1Q21 for Marel Meat were EUR 125.8m, up by 21.4% YoY (1Q20: 103.6m).
- *EBIT* in 1Q21 was EUR 9.8m (1Q20: 4.6m) and the EBIT margin was 7.8% (1Q20: 4.4%). Profitability in the quarter impacted by mix and lower than expected margins for large projects.
- Management continues to target medium and long-term EBIT margin expansion for Marel Meat, and has accelerated market coverage and operational improvement initiatives.

MAREL FISH

1Q21: 12% of total revenues with 5.3% EBIT¹ margin

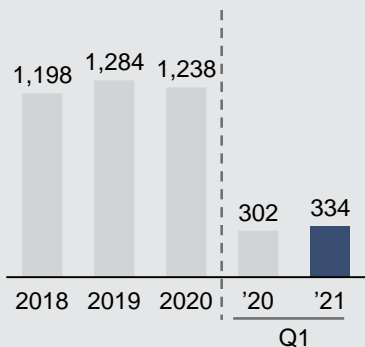


	1Q21	1Q20	Change
Revenues	39.8	39.4	1.0%
EBIT ¹	2.1	1.7	23.5%
EBIT ¹ as a % of revenues	5.3%	4.3%	

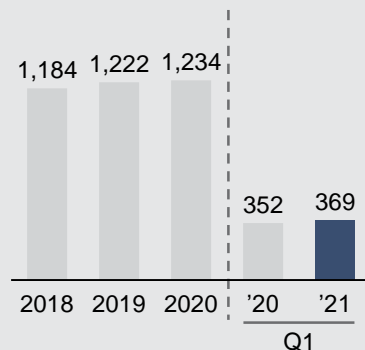
- *Objective to reach full-line offering* across farmed and wild whitefish and salmon through continued focus on innovation and M&A.
- *M&A*: Curio consolidated as of 4 Jan 2021. Salmon primary processing offering solidified through the strategic partnership with Stranda Prolog and 40% acquisition of 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 1Q21 were soft for large projects. Pipeline for large projects is building up and conversion into orders is expected to pick up.
- *Revenues* for Marel Fish in 1Q21 were EUR 39.8m, on par YoY (1Q20: 39.4m).
- *EBIT* in 1Q21 was EUR 2.1m (1Q20: 1.7m) and the EBIT margin was 5.3% (1Q20: 4.3%), higher volume is needed to deliver sufficient margin improvement.
- Management continues to target medium and long-term EBIT margin expansion for Marel Fish.

INTERIM KEY FIGURES & OUTLOOK

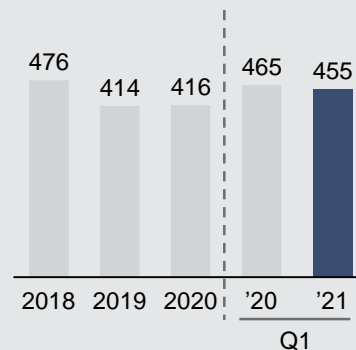
REVENUES
EUR m



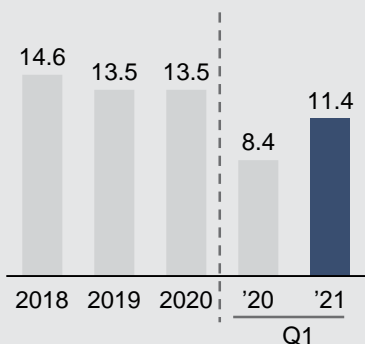
ORDERS RECEIVED
EUR m



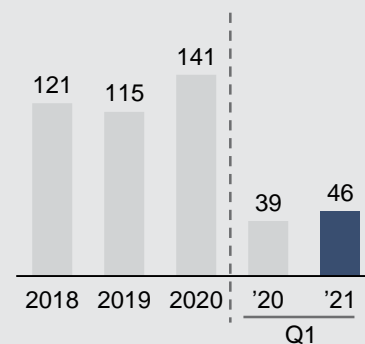
ORDER BOOK
EUR m



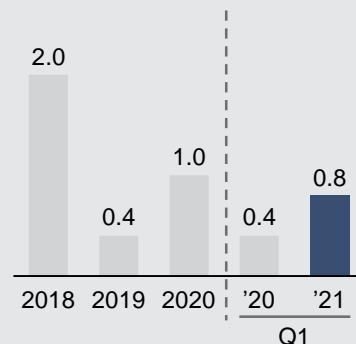
EBIT¹ MARGIN
%



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 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 29 April 2021

On Thursday 29 April 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 first 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 7520

NL: +31 20 721 9496

UK: +44 33 3300 9268

US: +1 833 526 8398

UPCOMING VIRTUAL INVESTOR EVENTS

- Kepler Cheuvreux European SMID Mega Trends Days, 10 May
- Citi's 10th Annual Virtual Frontier Markets Symposium, 17 May
- Berenberg Conference USA 2021, 20 May
- ABN AMRO – ODDO Benelux Equities Conference, 26 May
- HSBC Frontier Markets Roadshow, 4 June
- JP Morgan European Capital Goods CEO Conference, 11 June

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

UPCOMING EVENTS

- North Atlantic Seafood Forum, digitalization – virtual 8-10 Jun
- Intralogistics – virtual Jun
- Let's Fish, whitefish including Curio – virtual May
- Fish Forum Russia, 6-8 Jul
- FoodPro Australia – 27-28 Jul

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

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.

FINANCIAL CALENDAR

- Marel will publish its financial results according to the below financial calendar:
 - Q2 – 21 July 2021
 - Q3 – 20 October 2021
 - Q4 – 2 February 2022
- Financial results will be disclosed and published after market closing of both Nasdaq Iceland and Euronext Amsterdam.

CONTACT US

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