

Q3 2019

PRESS RELEASE

23 OCTOBER 2019



Q3 2019 – Solid operations and service revenues at all-time high

EXECUTIVE SUMMARY

Q3 2019 Highlights

- Orders received were EUR 285.0m (3Q18: 267.7m).
- Revenues were EUR 312.5m (3Q18: 282.0m).
- Adjusted EBIT* was EUR 44.3m (3Q18: 40.0m), translating to an EBIT* margin of 14.2% (3Q18: 14.2%).
- Net result was EUR 33.4m (3Q18: 26.7m).
- Basic earnings per share (EPS) were EUR 4.38 cents (3Q18: 3.94 cents).
- Cash flow from operating activities before interest and tax in the quarter was EUR 47.7m (3Q18: 31.6m).
- Net debt/EBITDA was x0.5 at quarter-end (2Q19: x0.6). Targeted capital structure is x2-3 net debt/EBITDA.
- The order book was EUR 431.9m (2Q19 459.4m and 3Q18: 510.8m).

Árni Oddur Thórdarson, CEO

“We report yet another solid quarter for Marel with high revenues for a seasonal quarter, at EUR 313 million. Revenues and EBIT increased by 11% compared with the same quarter last year with a stable EBIT margin at 14.2%. Recurring service and spare parts revenues are 37% of total revenues, an all-time high. Cash flow is healthy and earnings per share increased by 11% compared to prior year.

Orders received were EUR 285 million, slightly below what we aimed for, but an increase of 7% compared with the third quarter of 2018. With pioneering solutions and global reach in sales and services, we manage to navigate through a challenging period that global food providers are facing due to various trade constraints and geopolitical uncertainties. In those circumstances orders can easily fluctuate quarter on quarter, both for our customers and ourselves.

We drive growth with innovation and global reach that is complemented by acquisitions as well as strategic partnerships.

The acquisition of Cedar Creek Company will strengthen Marel’s software offering in Oceania. While strategic partnerships with TOMRA Food will bring new sensor-based sorting and processing technologies to optimize value, reduce waste and increase food safety. Finally, we are excited to join forces with Curio, bringing us closer to becoming a full-line provider in the global fish segment.”

Subsequent events: Acquisitions of Curio and Cedar Creek Company

- On 22 October 2019, Marel has entered into an agreement to acquire a 50% stake in Curio, an innovative primary processing equipment provider for whitefish processing. Marel has an option to acquire the remaining 50% of shares in four years. Curio’s complementary product portfolio brings Marel closer to becoming a full-line provider to the global fish industry. Curio is domiciled in Iceland and has annual revenues of around EUR 10 million. The transaction is subject to customary closing conditions, and expected to close in the fourth quarter of 2019. Further information available on marel.com/curio
- On 23 October 2019, Marel has agreed to acquire Cedar Creek Company, an Australian provider of specialized software and hardware solutions to meat, seafood and poultry processors. Cedar Creek Company has annual revenues of around EUR 3 million. The transaction is subject to customary closing conditions and is expected to be completed in the fourth quarter of 2019. Further information available on marel.com/cedarcreek

KEY FIGURES (EUR m)

3Q19	3Q18	Change	As per financial statements	9M19	9M18	Change
312.5	282.0	10.8%	Revenues	963.6	867.1	11.1%
119.5	110.7	7.9%	Gross profit	375.1	337.2	11.2%
38.2%	39.3%		Gross profit as a % of revenues	38.9%	38.9%	
44.3	40.0	10.8%	Adjusted result from operations (Adjusted EBIT)	141.4	127.0	11.3%
14.2%	14.2%		EBIT* as a % of revenues	14.7%	14.6%	
56.4	50.0	12.8%	EBITDA	176.6	159.1	11.0%
18.0%	17.7%		EBITDA as a % of revenues	18.3%	18.3%	
(2.7)	(2.4)		Amortization of acquisition-related (in) tangible assets	(8.0)	(7.0)	
41.6	37.6	10.6%	Result from operations (EBIT)	133.4	120.0	11.2%
13.3%	13.3%		EBIT as a % of revenues	13.8%	13.8%	
33.4	26.7	25.1%	Net result	99.9	84.5	18.2%
10.7%	9.5%		Net result as a % of revenues	10.4%	9.7%	
285.0	267.7	6.5%	Orders Received	919.5	888.1	3.5%
			Order Book	431.9	510.8	-15.4%

3Q19	3Q18	Cash flows	9M19	9M18
47.7	31.6	Cash generated from operating activities, before interest & tax	129.6	143.6
34.6	23.8	Net cash from (to) operating activities	89.1	113.7
(7.2)	(45.1)	Investing activities	(27.8)	(68.9)
(11.9)	29.8	Financing activities	173.4	(42.3)
15.5	8.5	Net cash flow	234.7	2.5
		Financial position	30/09 2019	31/12 2018
		Net Debt (Including Lease liabilities)	112.9	431.6
		Operational working capital ¹⁾	76.0	27.7

¹⁾ Trade receivables, Inventories, net Contract assets & Contract liabilities, Trade payables.

3Q19	3Q18	Key ratios	9M19	9M18
		Current ratio	1.6	0.9
		Quick ratio	1.2	0.6
		Number of outstanding shares (millions)	759.9	674.8
		Market capitalization in EUR billion based on exchange rate at end of period	3.2	2.2
14.4%	20.0%	Return on equity	17.7%	21.0%
4.38	3.94	Basic earnings per share in EUR cents	14.19	12.34
		Leverage adjusted result ²⁾	0.5	2.1

²⁾ Net Debt (Including Lease liabilities) / LTM EBITDA.

FINANCIAL PERFORMANCE

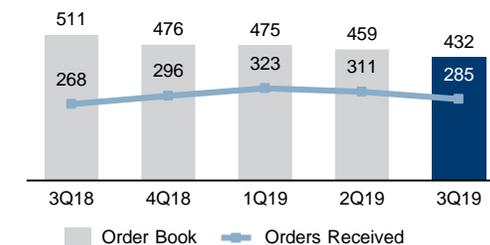
Orders received at EUR 285m, up by 6.5% compared to previous year and down 8.4% QoQ

- Overall, Marel's commercial position continues to benefit from its full-line offering and steady launch of innovative high-tech equipment and software for smarter processing. Global reach and focus on full-line offering across the poultry, meat and fish industries as well as significant service business counterbalances fluctuations in operations.
- The order book in the third quarter was at a level of EUR 431.9m, compared to EUR 459.4m in 2Q19 and EUR 510.8m in 3Q18. This equals 33% of 12-month trailing revenues. Greenfields and large projects with longer lead times constitute the vast majority of the order book while services, spares and standard equipment run faster through the system with shorter lead times.
- The book-to-bill ratio was 0.91 in 3Q19 compared to 0.95 in 2Q19. While the company aims for a book-to-bill ratio above 1.00 the current trend reflects an increase in orders in markets where it is more difficult to estimate the timing of fully financially secured orders compared to established markets. Orders received from Asia & Oceania in particular China continue to be on the rise.
- Orders received were EUR 920m YTD, up 3.5% YoY.
- Trade constraints and geopolitical uncertainties heighten the overall need for solutions to balance regional supply and demand around the globe. Those uncertainties are however delaying investment decisions.
- African Swine Fever (ASF) continues to spread across Asia and Eastern Europe, impacting the global meat industry, particularly in China. Other protein resources such as fish and poultry are needed as well as a rethinking of the pork value chain with a focus on more automation, safety and traceability where Marel in partnership with its customers can play a key role.

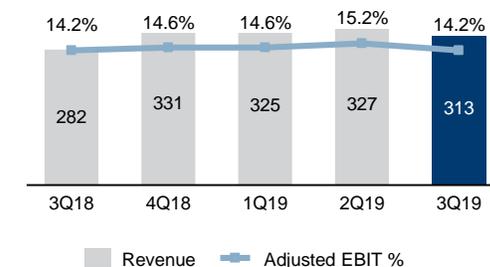
Seasonal quarter with solid revenues of EUR 313m and EBIT margin of 14.2%

- Revenues were solid in the quarter and totaled EUR 312.5m in 3Q19, up 10.8% compared to third quarter of 2018.
- With one of the largest installed base worldwide, a significant proportion of Marel's revenues derive from recurring service and spare parts revenues or around 37% in 3Q19.
- EBIT* up by 10.8% YoY. EBIT* margin of 14.2% in 3Q19 (14.2% 3Q18).
- Marel Poultry continues to be the largest driver with 12.1% revenue growth YoY and EBIT of 17.8% in 3Q19. Marel Meat revenues were up 13.5% YoY and 10.6% EBIT*. Marel Fish revenues are down by 3.9% YoY while EBIT improved to 7.9% as compared to 2.3% in 2Q19.
- Gross profit margin was 38.2% (3Q18: 39.3%) and gross profit was EUR 119.5m in 3Q19, up 7.9% YoY compared to EUR 110.7m in 3Q18. Operational expenses are in line with management's expectations.
- Net result was EUR 33.4m in 3Q19, up 25.1% compared to third quarter of 2018 and down 2.6% QoQ. Basic EPS were EUR 4.38 cents in the quarter (3Q18 EUR 3.94 cents), up 11.2% YoY.

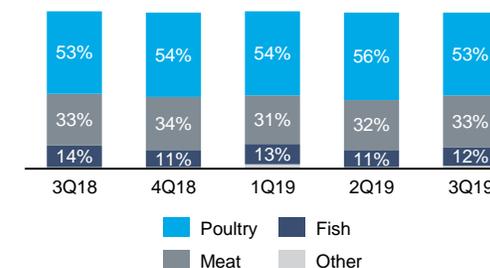
ORDER BOOK AND ORDERS RECEIVED EUR m



REVENUES AND EBIT* %, EUR m



REVENUES BY INDUSTRY %



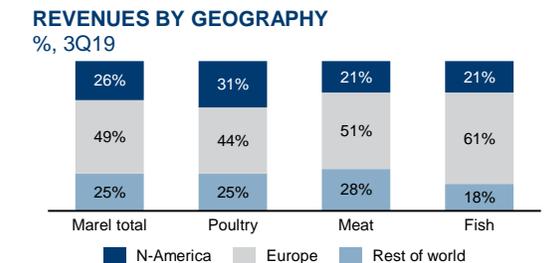
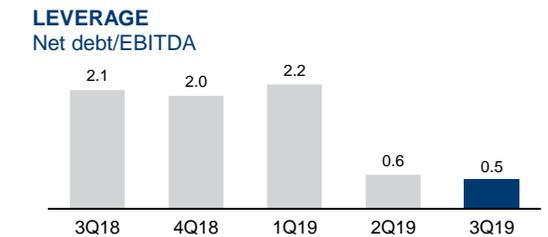
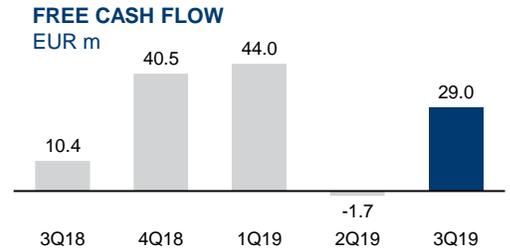
FINANCIAL PERFORMANCE

Solid cash flow and leverage of x0.5 to facilitate future strategic moves

- The cash flow, both operational and free cash flow is at healthy level taking into account that orders are below revenues. Operational cash flow at a level of EUR 47.7m (3Q18: 31.6m) and free cash flow at EUR 29.0m (3Q18: 10.4).
- The contract liabilities decrease as the order book is decreasing while inventories are increasing for fast moving and critical parts in spares.
- Investments are at a lower level than in previous quarters with EUR 7.2m (3Q18: 15.2m) as facility investments are scaling down after a period of significant investments.
- Tax payments in the quarter (EUR 11.5m) were lower than 2Q19 (EUR 16.0m) as a result of timing of payments.
- Leverage is at x0.5 at the end of 3Q19 (2Q19: x0.6) and well under the targeted capital structure (2-3x Net debt/EBITDA). Marel continues to have a strong financial position to facilitate future strategic moves in line with the company's growth strategy.

Outlook

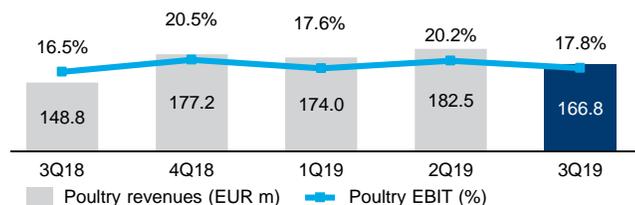
- Market conditions have been exceptionally favorable in recent years but are currently more challenging in light of geopolitical uncertainty. Marel enjoys a balanced exposure to global economies and local markets through its global reach, innovative product portfolio and diversified business mix.
- 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.



INDUSTRY PERFORMANCE

MAREL POULTRY

Delivered 53% of total revenues and 17.8% EBIT in 3Q19.

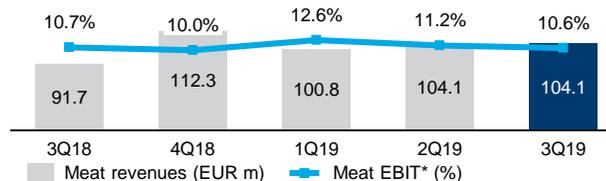


3Q19	3Q18	Change		9M19	9M18	Change
166.8	148.8	12.1%	Revenues	523.3	461.0	13.5%
29.7	24.6	20.7%	EBIT	97.1	80.8	20.2%
17.8%	16.5%		EBIT as a % of revenues	18.6%	17.5%	

- Marel Poultry's competitive position remains exceptionally strong on the back of its established full-line product range, including standard equipment and modules, and service and spare parts revenue from its large installed base worldwide.
- Revenues for Marel Poultry in 3Q19 were up 12.1% YoY or EUR 166.8m (3Q18: 148.8m). EBIT was EUR 29.7m (3Q18: 24.6m) and the EBIT margin was 17.8% (3Q18: 16.5%). In comparison, the EBIT margin in 2Q19 was 20.2%.
- Large orders booked were in France, Taiwan, China and the US. With the US showing a shift in mix from primary processing investments to secondary processing with an increased demand for sensor-based and traceability solutions.
- The order book for Marel Poultry is on the softer side, as large projects are being finalized and new large projects are being delayed due to current trade constraints and uncertainty about trade agreements.
- As announced on 10 May 2019 and effective from 1 September 2019, Roger Claessens, has taken over from Anton de Weerd, as EVP of Marel Poultry.

MAREL MEAT

Delivered 33% of total revenues and 10.6% EBIT* in 3Q19.

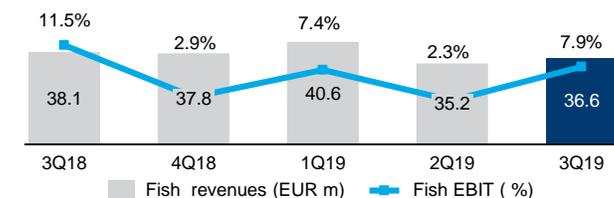


3Q19	3Q18	Change		9M19	9M18	Change
104.1	91.7	13.5%	Revenues	309.0	274.7	12.5%
11.0	9.8	12.2%	EBIT*	35.4	32.6	8.6%
10.6%	10.7%		EBIT* as a % of revenues	11.5%	11.9%	

- Marel Meat is a full-line supplier to the meat processing industry following acquisitions of MPS, with further bolt-on capabilities added with the acquisitions of Sulmaq and MAJA.
- Revenues for Marel Meat in 3Q19 were EUR 104.1m, up 13.5% YoY (3Q18: EUR 91.7m). EBIT* was EUR 11.0m (3Q18: 9.8m) and the EBIT* margin was 10.6% (3Q18: 10.7%). In comparison, the EBIT* margin in 2Q19 was 11.2%.
- Orders received in the quarter were strong in Marel Meat, with large projects booked coming from the Netherlands, Germany, Mexico and Poland.
- The order book for Marel Meat remains robust.
- Standardization and modularization of the offering in primary meat and further cross and upselling of secondary and further processing solutions is a top priority.
- Management is targeting medium and long-term EBIT* margin expansion for Marel Meat.

MAREL FISH

Delivered 12% of total revenues and 7.9% EBIT in 3Q19.



3Q19	3Q18	Change		9M19	9M18	Change
36.6	38.1	-3.9%	Revenues	112.4	121.3	-7.3%
2.9	4.4	-34.1%	EBIT	6.7	11.5	-41.7%
7.9%	11.5%		EBIT as a % of revenues	6.0%	9.5%	

- Marel Fish predominantly consists of sales of solutions into salmon, wild whitefish and farmed whitefish. With the acquisition of Curio, Marel is a step closer to becoming a full-line provider to the global fish industry.
- Revenues for Marel Fish in 3Q19 were EUR 36.6m, down 3.9% YoY (3Q18: EUR 38.1m) due to softer orders received in equipment during the quarter. EBIT was EUR 2.9m (3Q18: 4.4m) and the EBIT margin was at 7.9% (3Q18: 11.5%). In comparison, the EBIT margin in 2Q19 was 2.3%.
- Order book has been stable with the majority of the orders received coming from the salmon segment. There has also been a step up in orders coming from Latin America.
- Management is targeting medium and long-term EBIT margin expansion for Marel Fish.
- The fourth quarter started strong with two large projects secured in October with Brim in Iceland for whitefish processing and Australis, a salmon processor in Chile.

INVESTOR RELATIONS

Investor meeting and live webcast/conference call 24 October 2019

On Thursday 24 October 2019, at 8:30 am GMT (10:30 am CET), Marel will host an investor meeting where CEO Árni Oddur Thórdarson and CFO Linda Jónsdóttir will give an overview of the financial results and operational highlights in the third quarter.

The investor meeting will be held at the company's headquarters: Austurhraun 9, Gardabaer, Iceland. Breakfast will be served from 8:00 am GMT.

The meeting will also 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 20 721 9496

UK: +44 333 300 9269

US: +1 833 526 8347

UPCOMING IR EVENTS

- Citi – Global Industrials Conference, US, 19-20 February 2020

UPCOMING TRADESHOWS

- Gulfood Manufacturing – Dubai, 29 - 31 October 2019
- Marel Poultry Showhow – Copenhagen, 14 November 2019
- China Fisheries – Qingdao, 30 October - 1 November 2019
- IPPE – Atlanta, 28 - 30 January 2020

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 interim and annual Condensed Consolidated Financial Statements according to the below financial calendar:
 - Q4 2019 - 5 February 2020
 - **AGM – 18 March 2020**
- Financial results will be disclosed and published after market closing of both NASDAQ Iceland and Euronext Amsterdam.

CONTACT US

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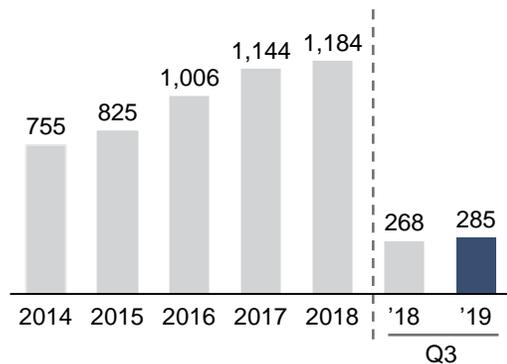
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COMPARISON OF ANNUAL AND INTERIM KEY FIGURES

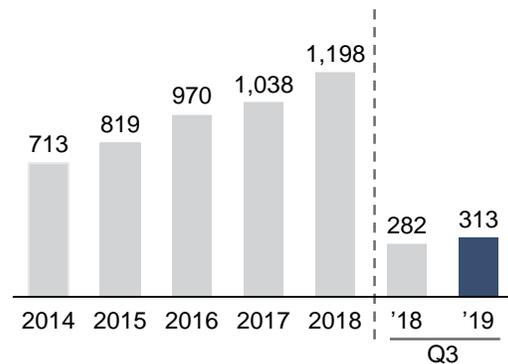
ORDERS RECEIVED

EUR m



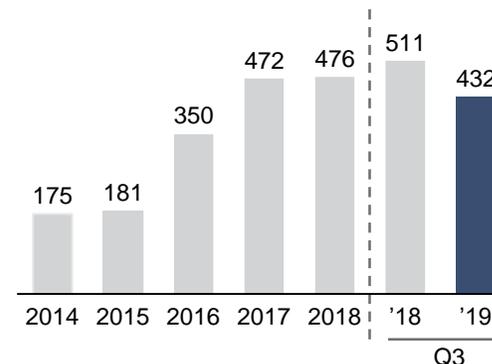
REVENUES

EUR m



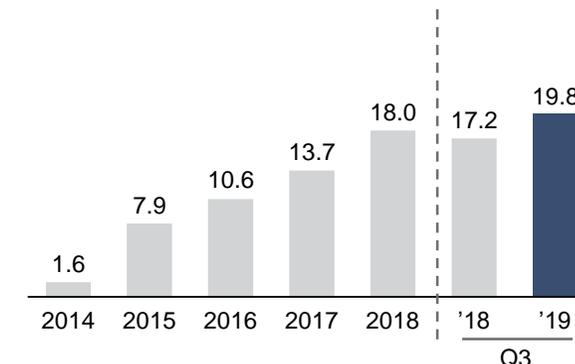
ORDER BOOK

EUR m



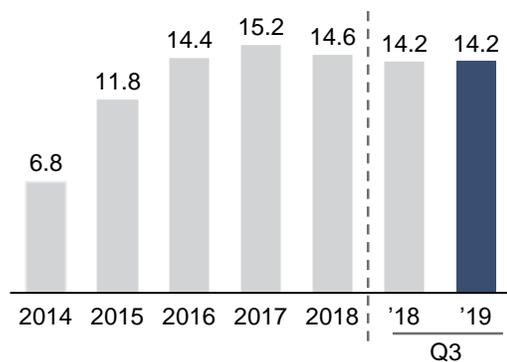
EPS

EUR cents, trailing twelve months



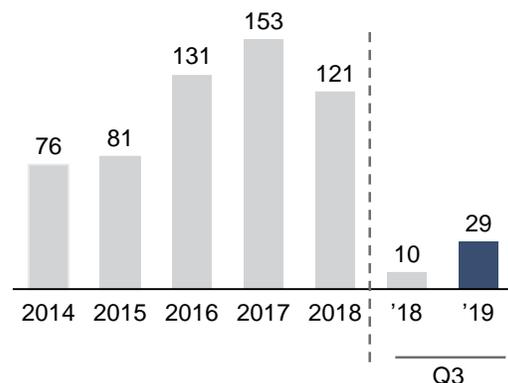
EBIT*

%



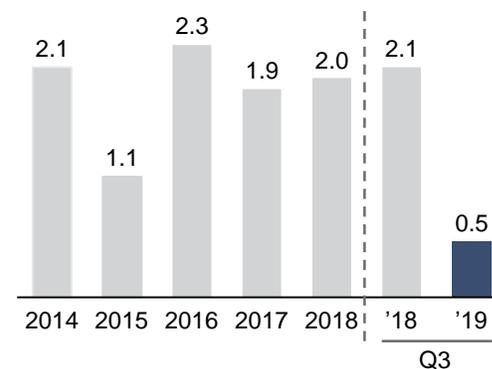
FREE CASH FLOW

EUR m



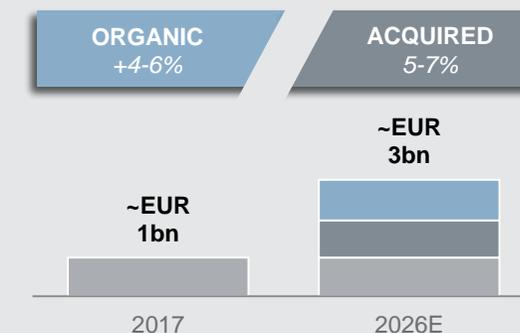
LEVERAGE

Net debt/EBITDA



12% ANNUAL GROWTH TARGET

CAGR revenue growth from 2017 - 2026¹



¹Growth is not expected to be linear but based on opportunities and economic fluctuations

