



# Munters

Q2 2022 – Investor presentation

Investor Relations

# Agenda

## Introduction

Q2 highlights

AirTech

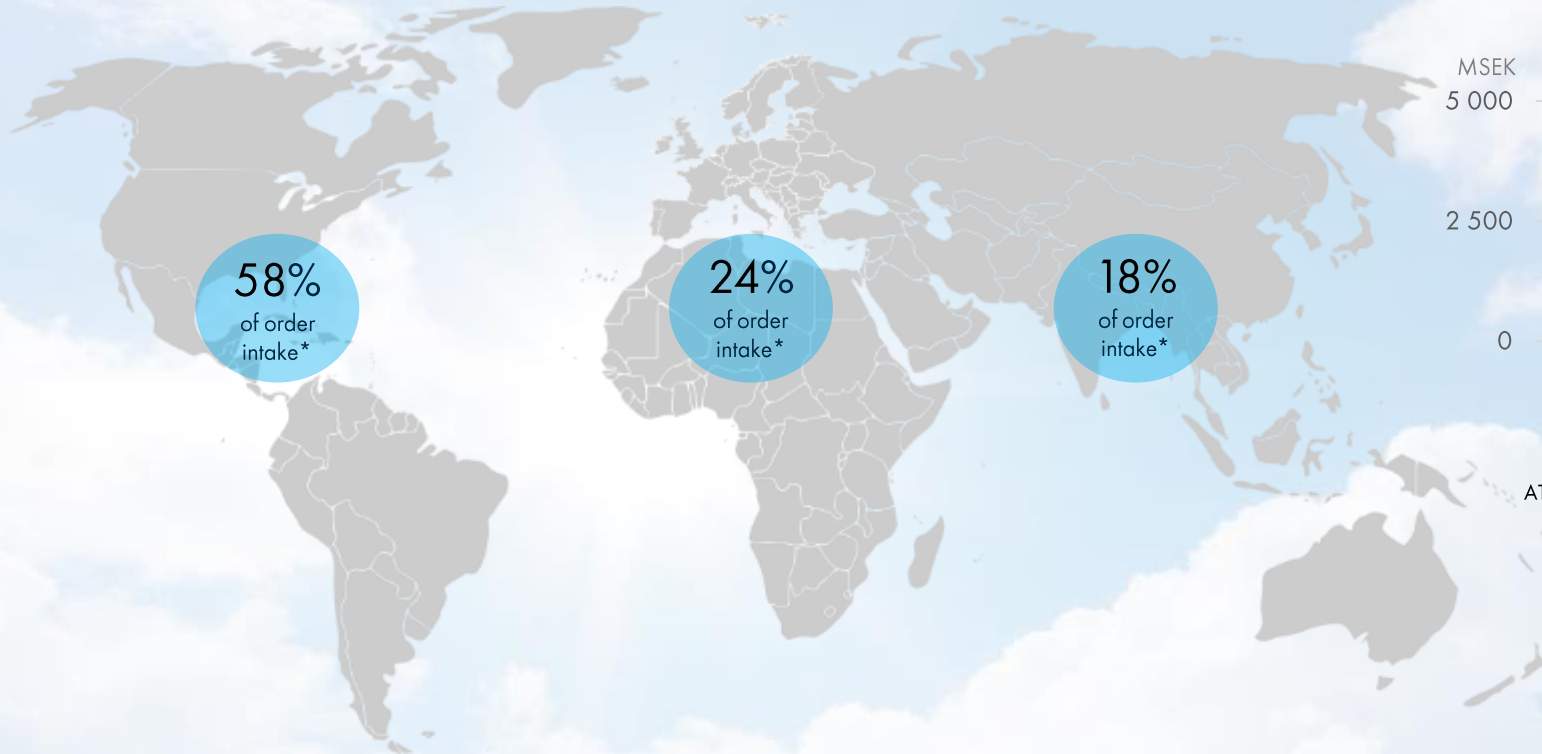
Data Center Technologies

FoodTech

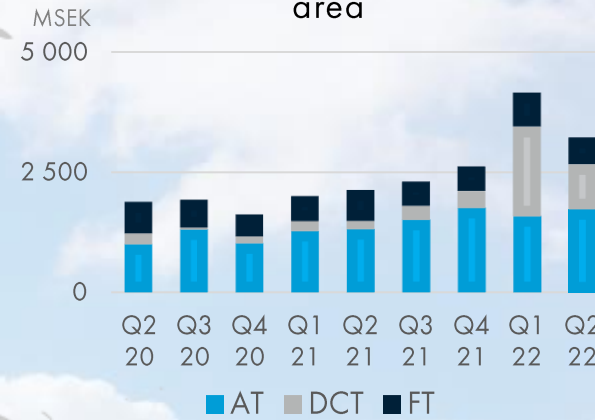
Customer Cases



# World leader in energy-efficient climate solutions

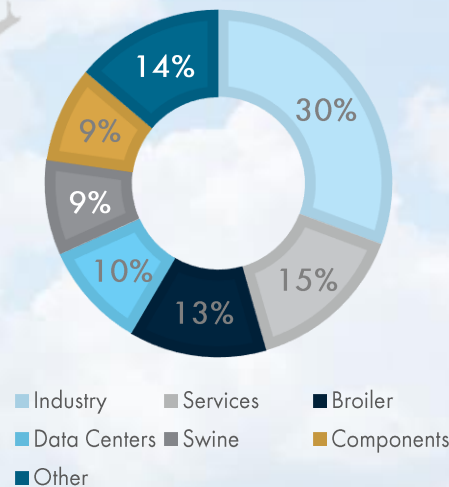


Order intake per business area



AT- AirTech, FT- FoodTech, DCT – Data Center Technologies

Largest customer segments, net sales 2021



Munters offers climate solutions where controlling indoor humidity, temperature and energy efficiency is mission-critical. Our solutions reduce customers' climate and environmental impact through efficient resource consumption

Sales in number of countries

>30

Sales MSEK\*\*

8,645

Number of production plants

18

Adj. EBITA margin\*\*

10.5

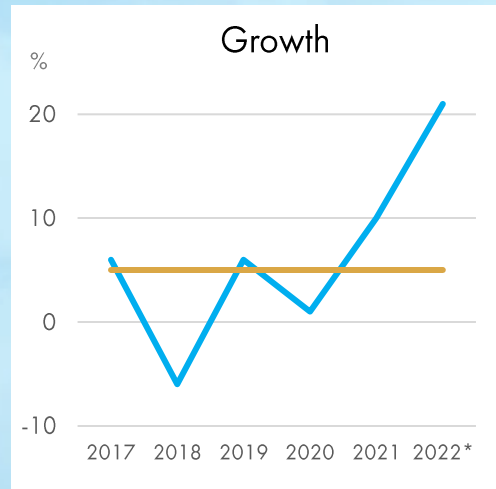
Number of employees

~3,700



# Creating sustainable value

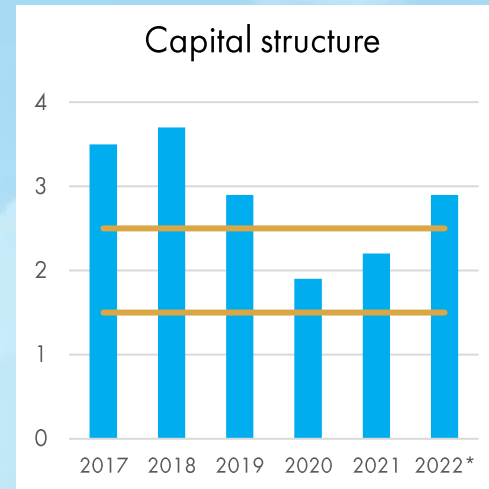
Munters' overarching target is sustainable value creation - with clear goals we steer operations and set priorities that help us reach our overarching targets.



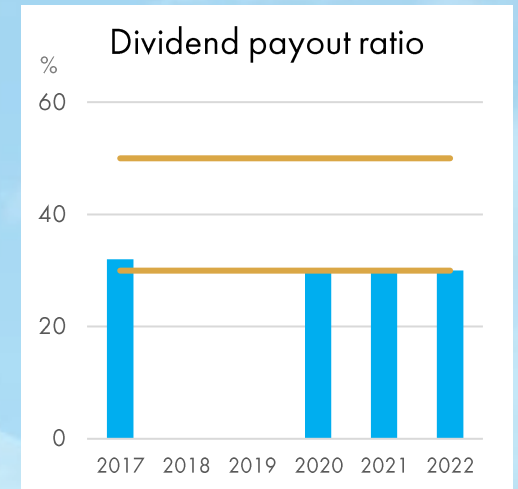
Target: Annual organic growth of net sales of 5%



Target: Adjusted EBITA margin of 14%



Target: A ratio of consolidated net debt to adjusted EBITDA of 1.5x to 2.5x



Aim: to pay an annual dividend corresponding to 30–50 percent of net income for the year

\* LTM end of June 2022

# Munters on a journey



2019

- Two business areas: AT and FT
- CEO and CFO recruited
- Strategic review of Data Centers and Mist Elimination
- Data Centers Europe closed

2020

- New strategic priorities launched
- Organizational re-design: business areas to own full value chain
- Efficiency improvement initiatives (Working capital focus)
- Management team expanded
- Reduction of product portfolio initiated
- AT strategic review

2021

- Efficiency improvement initiatives continue
  - Secure end-to-end information/value chain efficiency across all Munters
  - Working capital focus
- Increased focus on R&D
- FT strategy review & AT delivery on strategic review
- Listed on Nasdaq Stockholm's Large Cap

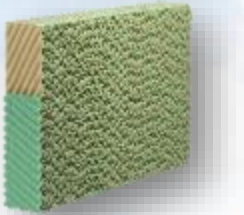
2022

- AT & FT delivery on strategic review
- New business area: DCT
- Acquisition of EDPAC – data centers Europe

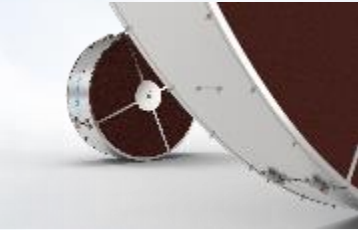
# Core technologies – dehumidification and evaporative cooling

## Core Technologies

Evaporative cooling pads



Rotors with desiccant drying wheel



## AirTech offering

Dehumidifiers

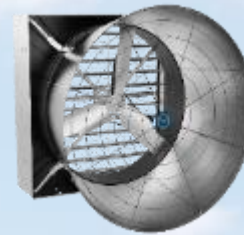


Climate systems

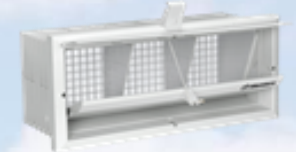


## FoodTech offering

High-efficiency fans



Air inlets



## Data Center Technologies offering

Packaged air economizers



Chilled Water CRAH



SyCool



Service



Controller



Sensors and software



The above products are examples of products in the Munters offering  
CRAH – Computer Room Air Handler

# Sustainability seamlessly integrated in Munters business strategy



2021

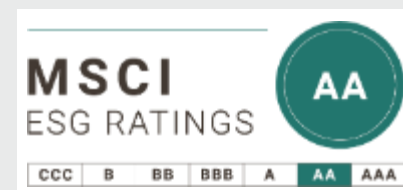
- Scope 3 emissions included in GHG reporting
- Net zero emissions target from operations by 2030
- EU taxonomy eligible business 35%
- CDP reporting
- Major investments - ESG impact analysis (incl. internal carbon pricing)

2019

- Sustainability Core Team
- Governance improved
- GHG protocol reporting internally
- CDP reporting

2020

- Sustainability fully integrated into the Munters strategy
- Company purpose launched as well as new strategy
- GHG emission reporting continued CDP reporting
- Updated car policy & whistleblower policy
- CDP reporting



# Climate change is our most important megatrend

## Munters purpose - For customer success and a healthier planet

Climate change is driving and impacting our market, demand and strategic priorities.

Munters is part of the solution for a more sustainable world.

Renewable electricity

**53%**

(2020: 50%)

Recycling rate

**54%**

(2020: 47%)

Energy efficiency

**0.90**

(2020: 0.96)

Code of conduct for suppliers

**100%**

(2020: 100%)

Percentage women employees and leaders

**22% & 23%**

(2020: 21% & 22%)

EU Taxonomy

**35%**

of net sales subject to the taxonomy (first year reported, adopted in 2021)

Total Recordable Incident rate (TRIR)

**1.7**

(2020: 1.2)

Increase share of Service

**15%**

(2020: 14%)

Net zero emissions from our operations by 2030



# Agenda

Introduction

Q2 highlights

AirTech

Data Center Technologies

FoodTech

Customer Cases



# Climate change our most important value driver



Well positioned to take advantage of strong megatrends -  
digitalization, electrification and demand for sustainable solutions



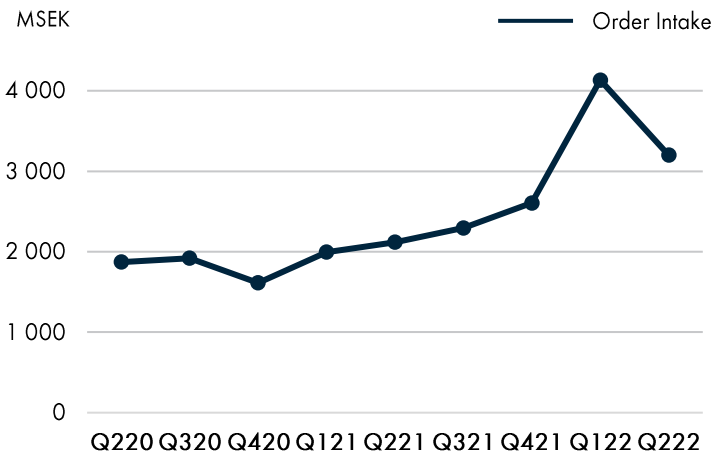
Price increases compensated for inflationary pressure –  
we continue to adjust prices



Increasing investments to capture market opportunities

# Strong growth in a quarter marked by continued challenges

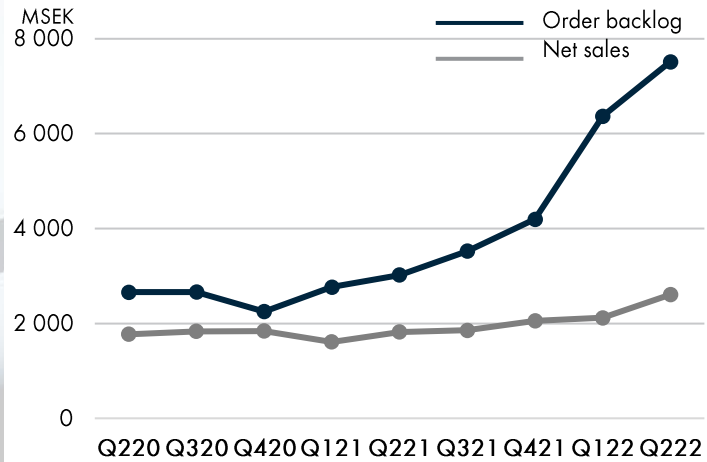
## Strong order intake



### Order intake, Q2 +51% :

- DCT in Americas
- Battery and Service in AT
- fx-adj. 35% and organic 33%

## Increased focus to manage lead times



### Net sales, Q2 organic growth 25% :

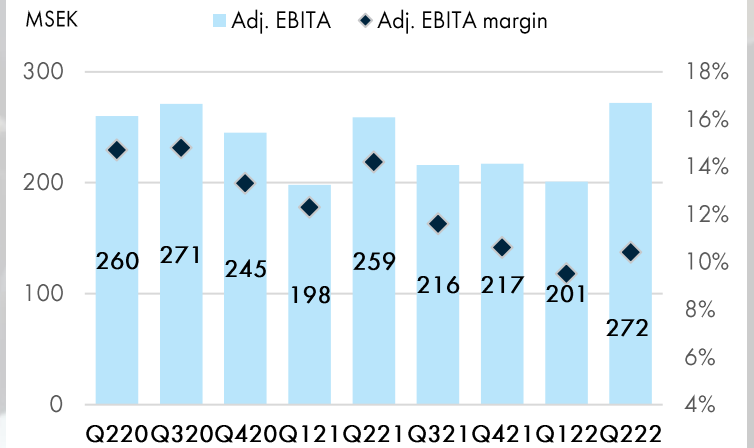
- DCT in Americas and Battery and Service in AT
- offset by weak Chinese market in FT
- fx-adj. 29% and organic 25%

### Order backlog, FY +149%

- fx-adj. +117% and organic 114%

Book-to-bill 1.2

## Price increases compensated for inflation



### Adj. EBITA margin 10.4%:

- price increases compensated for inflationary pressure
- offset by increased work to secure components shortages
- changed business mix in DCT
- lower FT volumes in APAC & EMEA
- operational challenges
- increased strategic investments

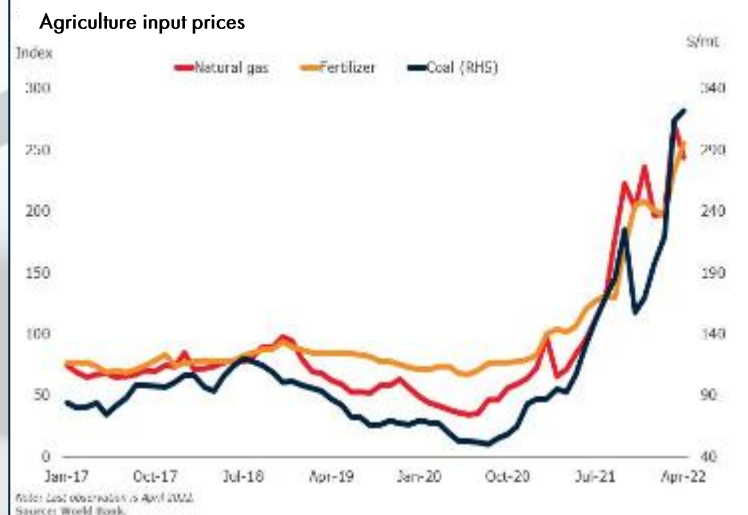
# Intensified global challenges

## Market situation



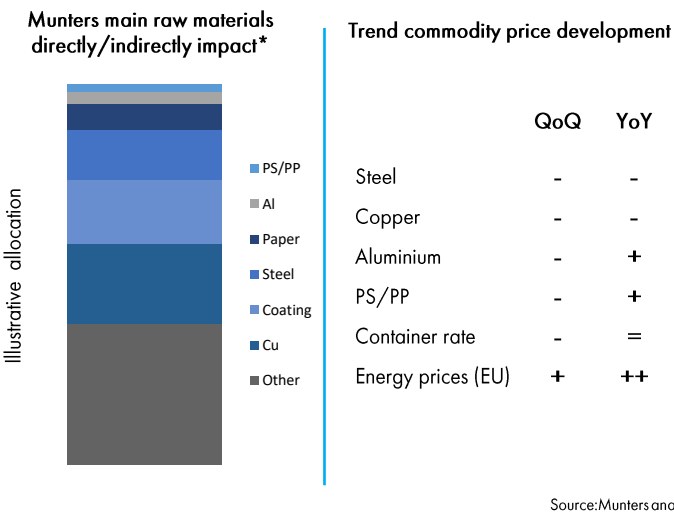
- War in Ukraine
- Lingering Covid-19 outbreak
- Weak swine market in China

## Consequences of market situation



- Inflationary pressure
- Rising input costs for the farming industry
- Weakened market in EMEA
- Lockdowns in China due to Covid-19

## Supply chain impact



- Supply chain constraints and component shortages
- Limited freight alternatives and rising costs

\*PS - Polystyrene, PP - Polypropylen, Al - Aluminium, CU - Copper

# Strong growth in a quarter marked by continued challenges

	Mid-term targets	Q2 2021	Q2 2022	YTD 2021	YTD 2022
<b>Net sales growth</b> Org. growth p.a. over a business cycle	5%	13%	25%	13%	21%
<b>Adjusted EBITA-margin</b>	14%	14.2%	10.4%	13.3%	10.0%
<b>Capital structure*</b> (Leverage: Net debt / adj. EBITDA)	1.5x-2.5x	n.a.	n.a.	1.9x	2.9x

\*LTM = Last Twelve Months



# Growth and net price increases offset by increased costs

## Group adj. EBITA margin impact

	Q2
2021 adj. EBITA %	14.2
Volume	++
Net pricing	=
Business & regional mix	--
Supply chain	--
Investments	-
Operational challenges	-
2022 adj. EBITA %	10.4

Adj. EBITA margin in Q2 affected by:

- Volume growth in AT and DCT
- Net price increases offset by inflationary pressure
- Business & regional mix negative impact:
  - weak FT market in EMEA & APAC
  - changed business mix DCT
- Supply chain challenges - War in Ukraine led to increased energy and freight costs and component shortages
- Strategic investments for scalability
- Operational challenges in two units



# Increasing investments to capture market opportunities

Commercial excellence

Digitalization

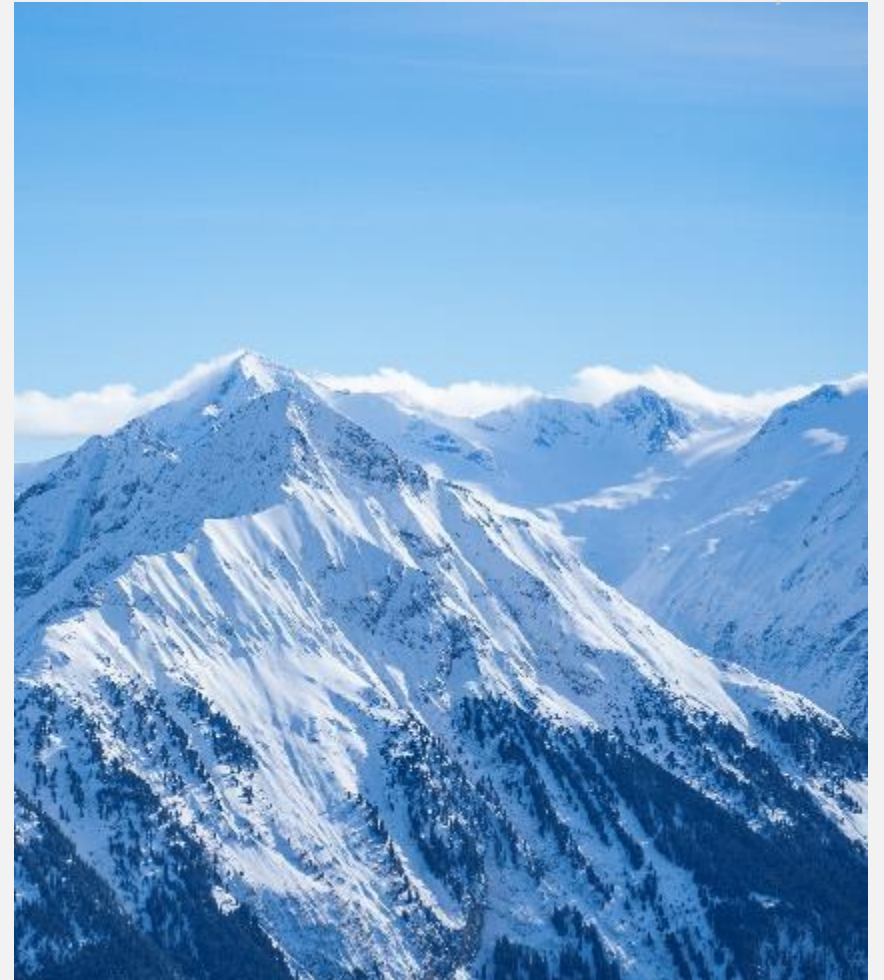
Innovation

Manufacturing excellence

Investing in people



Create a scalable  
business to capture  
growth and become more  
efficient and profitable





# Inorganic strategies to boost overall growth





# Agenda

Introduction

Q2 highlights

AirTech

Data Center Technologies

FoodTech

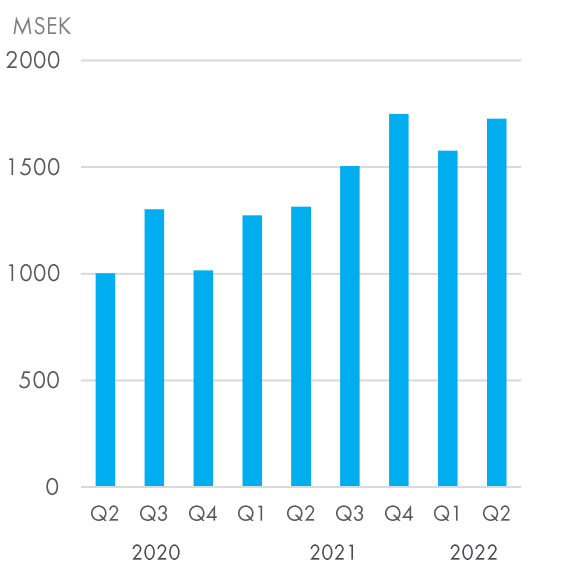
Customer Cases



# Global leader in air treatment for industry

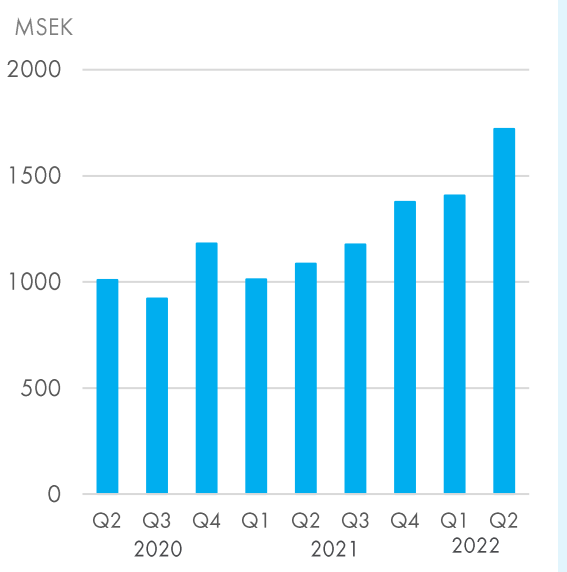
Order intake, MSEK\*

1,727



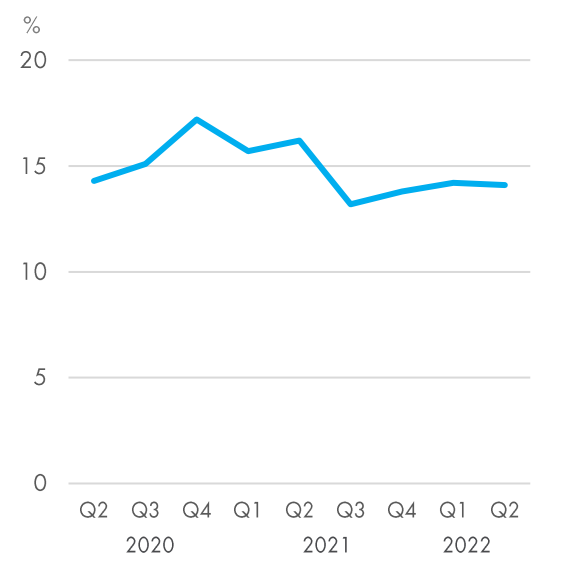
Net sales, MSEK\*

1,723

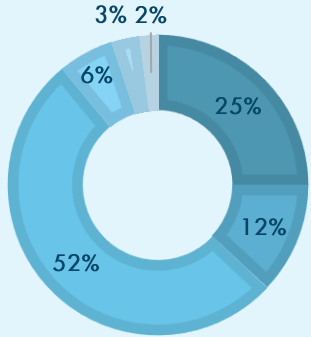


Adjusted EBITDA margin\*

14.1%

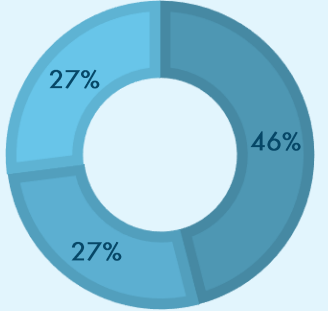


Customer segments, net sales 2021 \*\*



- Industry
- Services
- Data Center
- Components
- Clean Technologies
- Commercial

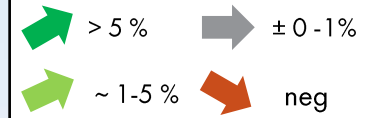
Regional distribution, net sales 2021 \*\*






- Americas
- EMEA
- APAC

\* Financial figures Q2 2022

\*\* Pre reconciliation of AirTech and DCT



# Very strong demand within Battery

Customer segment	% order intake Q2 2022	Market Outlook *	Comments
Industrial	50%		Demand expected to remain strong
...whereof Battery	25%	 ***	Continued strong growth expected, driven by Americas and EMEA
...whereof Food processing	8%		Demand expected to continue to pick-up
...whereof Other	16%		Solid underlying markets performance
Components **	14%		Demand expected to remain strong for components in key markets
Clean Technologies	8%		Growth driven by primarily Process industries
Commercial	6%		Steady replenishment market for supermarkets
Services	23%		Growth in all regions and continued high demand for our Services

\* Market outlook and comments are indicative and refer to the coming six months

\*\* Dehumidification rotors and humidification pads sold through OEM channels

\*\*\* Market outlook for Battery is strong with growth above 10 per cent

# Mainly small local players

		Small (<1 BSEK)				Medium (1-2 BSEK)	Large (2-10 BSEK)	Extra Large (>10 BSEK)
Humidity Control Technologies	Dehumidification	 AM	 AS	 AS	 AM	 AM/AS/EU	★ AS	
	Humidification	 AM	 AM	 AM	 AM		★ AM	
		 AM/AS	 EU	 AS	 AS		★ AS	
		 AM	 AS	 AS				
		 AS	 EU	 EU				
		 AS	 AM	 AS		 EU/AS	 EU/AS/AM	
Mist Elimination / Clean Technologies		 EU	 EU	 EU	 EU	 AM	 AM/AS/EU	 EU/AS/AM
								 EU/AS/AM

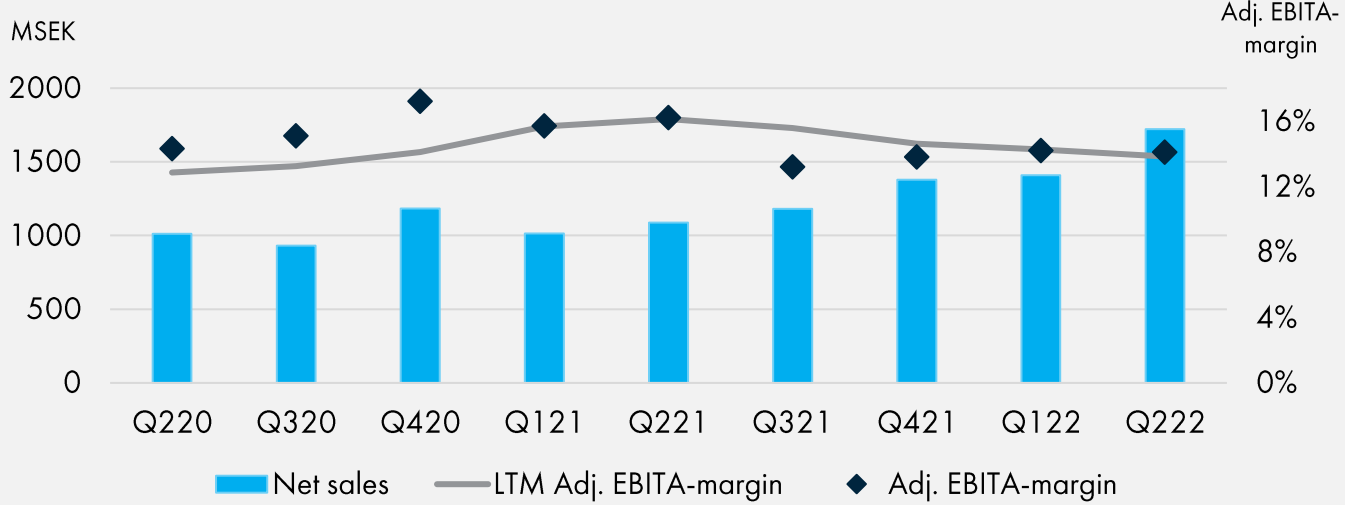
★ A small business within a large company/conglomerate



# Q2 - Strong growth in transformative segments

- Order intake - up in all regions, Battery also Food, Components, CT and Services
- Net sales increased in all regions
  - Services ~ 20% of AT net sales
  - price increases ~ 6% of net sales in Q2
- Adj. EBITA margin impacted by;
  - + strong volume growth
  - + customer price compensated for inflationary pressure
  - increasing work to secure components and manage lead times
  - operational challenges at a production unit in the Industrial sub-segment in the US continues

	MSEK	Q2 2022	Q2 2021	Change (%)		
				Organic growth	Acquisitions & divestments	Currency effects
Order intake		1,727	1,315	19	-	12
Order backlog		3,204	1,998			
Net sales		1,723	1,088	43	-	15
Adj. EBITA		242	177			
Adj. EBITA-margin		14.1	16.2			



# Agenda

Introduction

Q2 highlights

AirTech

Data Center Technologies

FoodTech

Customer Cases



# Balanced market approach – setting ourselves up for growth

History

Today

Future

## Step- by-step growth

### Step 1

- Refocus on North American market
- Strengthen market position - new product launches and broadening of customer base
- Build a stable manufacturing base
- Create solid recurring revenues

### Step 2

- Acquisition of European EDPAC
  - Several cooling solutions transferred
  - Smaller scale, shorter production runs
  - Broader product portfolio
  - Targeted customers
- Strengthen market position

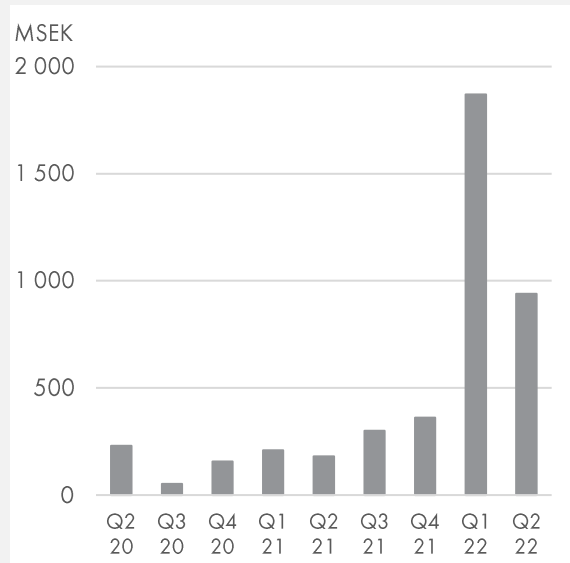
### Step 3

- Grow through expansion of customer base and with existing customers
- Ensure production capacity

# Leading supplier of advanced climate cooling solutions

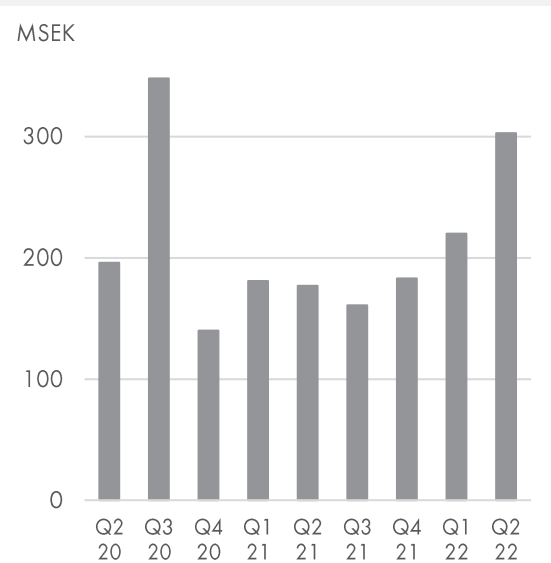
Order intake, MSEK\*

**939**



Net sales, MSEK\*

**303**

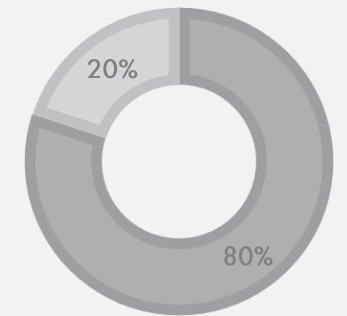


Adjusted EBITDA margin\*

**5.9%**



Regional distribution, order intake\*










■ Americas ■ EMEA

\*Financial figures Q2 2022



# Hyperscalers driving growth

 > 5%	 ± 0 - 1%
 ~ 1-5%	 neg

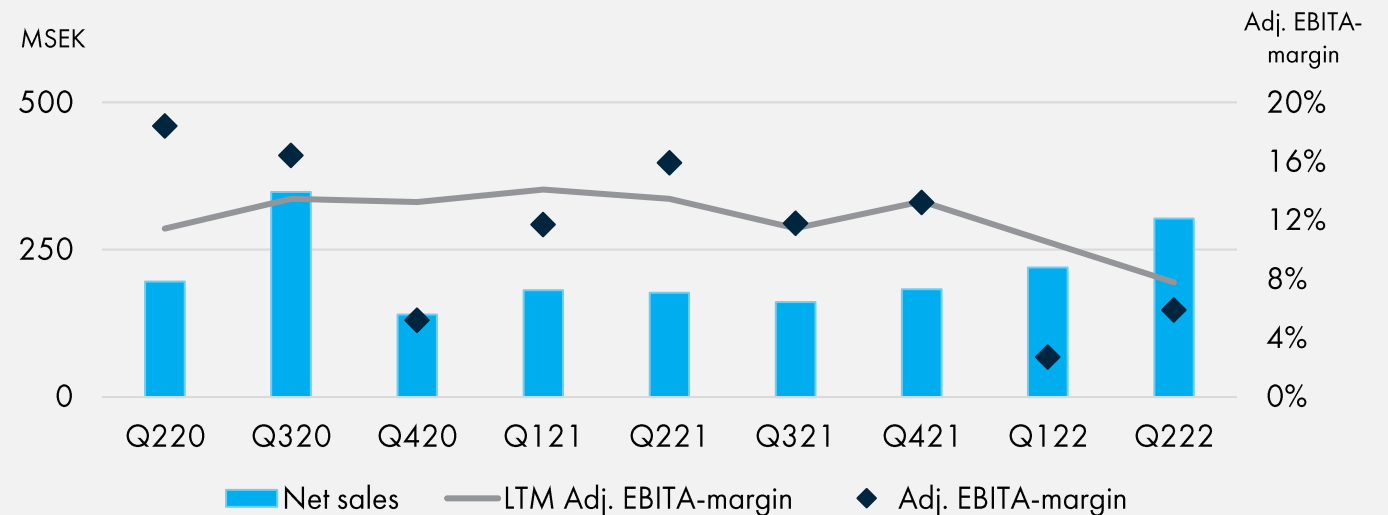
Customer Segments	% order intake Q2 2022	Market Outlook *	Comments
Hyperscalers	5%		Increase in cloud traffic and connectivity services continues to drive hyperscale growth
Colocation	93%		Co-lo growth largely driven by increased leasing from hyperscale customers, specifically orders for the newly launched SyCool product range
Telco & enterprises	2%		Slower growing segment as more enterprise data centres are moving to cloud or co-lo hosted solutions Edpac solutions fit in well with Enterprise and Telco markets

\* Market outlook and comments are indicative and refer to the coming six months

## Q2 -Strong growth in both Americas and EMEA

- Order intake increased - co-location customers in Americas
- Net sales increased - EMEA and Americas
  - price increases ~2% of net sales in the quarter
- Adj. EBITA margin;
  - + volume growth in Americas and EMEA
    - increasing work related to component shortages led to increased lead times and increased costs
    - changed business mix in the quarter

	MSEK	Q2 2022	Q2 2021	Change (%)		
				Organic growth	Acquisitions & divestments	Currency effects
Order intake		939	180	318	85	18
Order backlog		3,369	319			
Net sales		303	177	10	39	23
Adj. EBITA		18	28			
Adj. EBITA-margin, %		5.9	15.9			



# Agenda

Introduction

Q2 highlights

AirTech

Data Center Technologies

**FoodTech**

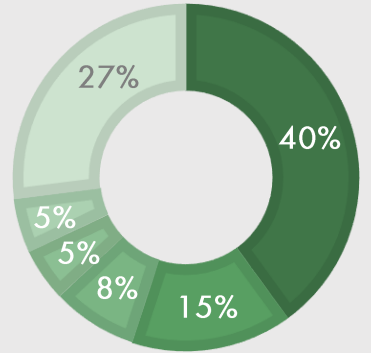
Customer Cases



# Increased sales, challenging market environment

FoodTech is one of the world's leading suppliers of high-quality, energy-efficient climate control systems for livestock farming and greenhouses, as well as software to control and optimize the entire food production value chain.

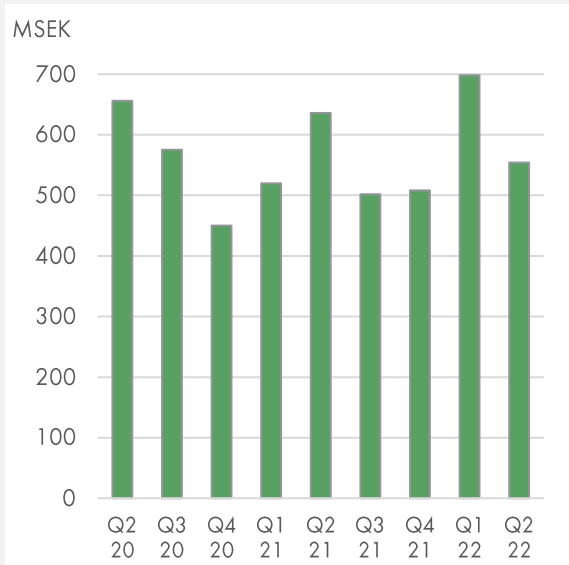
Customer segments, net sales 2021



- Broiler
- Swine
- Layer
- Greenhouse
- Dairy
- Digital Solutions

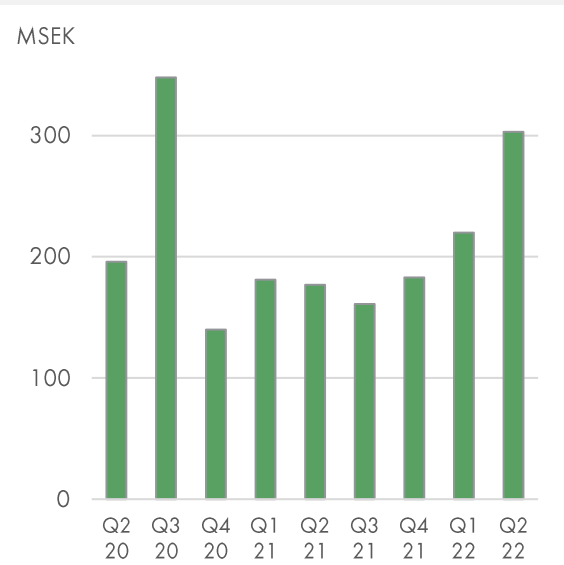
Order intake, MSEK\*

554



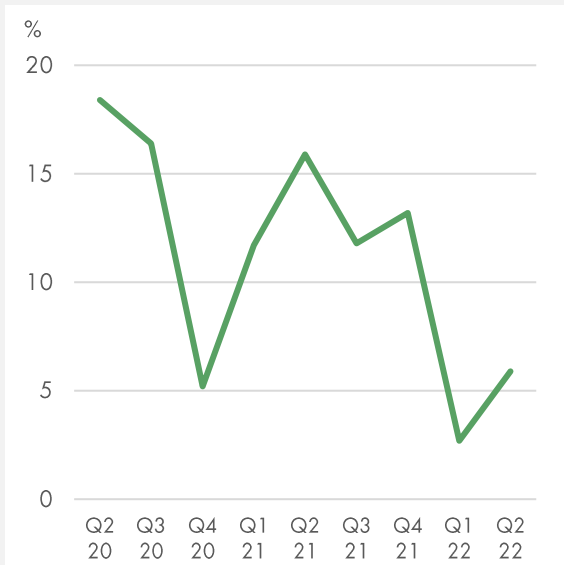
Net sales, MSEK\*

599



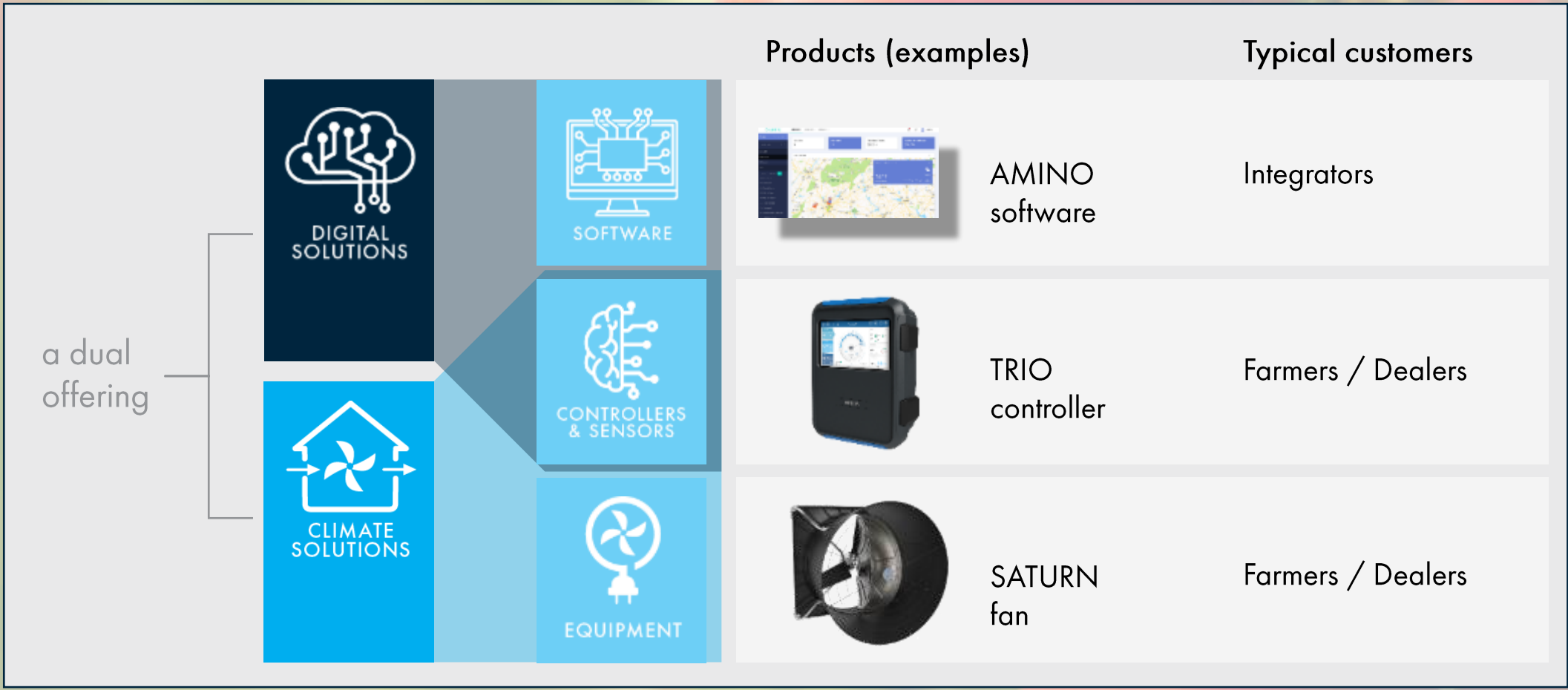
Adjusted EBITDA-margin\*

8.4%







\*Financial figures Q2 2022








# FoodTech has a leading dual offering to our customers



**FoodTech stands on two pillars, climate solutions and digital solutions**





























# A market in transformation

 > 5%	 ± 0 - 1%
 ~ 1-5%	 neg

Customer segment	% order intake Q2 2022	Market Outlook *	Comments
Climate solutions	87%		Mixed market development with growth in Americas, slow down in EMEA and weak demand in APAC
...whereof Broiler	53%		Continued strong demand in Americas, EMEA slower due to Avian Flu and effect of supply chain constraints
...whereof Swine	15%		Weak development in APAC and EMEA
...whereof Layer	11%		Cage-free regulation driving long-term demand
...whereof Greenhouse	6%		Growth driven by increased demand
...whereof Dairy	3%		Good milk prices continue to support investments in Americas
Digital Solutions	13%		Strong trend in all regions with increased data usage through IoT and software aiming at increasing yield and improve animal welfare and sustainability

\* Market outlook and comments are indicative and refer to the coming six months

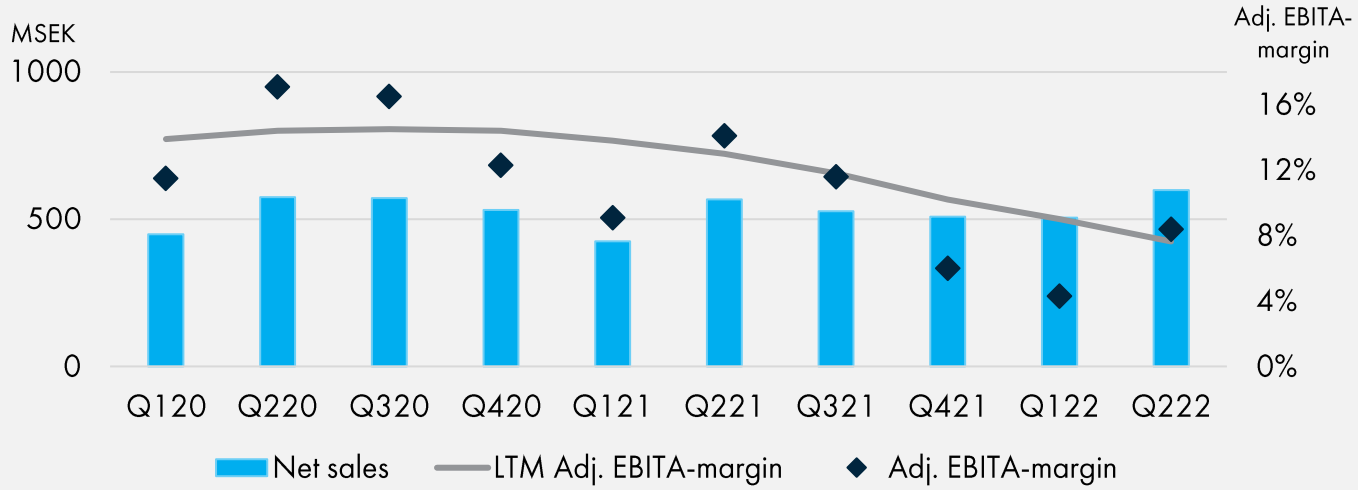
# Selection of market players

Fans	 EU/AS/AM  EU/AS/AM	 EU	 EU  EU/AS/AM  China  EU/AS	Fans
Cooling	 Your Agriculture Company EU/AS/AM  AS	 EU	 AM  HuTek (Asia) Company Ltd. AS  Middle East  EVAPORATIVE COOLING MEDIA AM	Cooling
Inlets	 EU/AS/AM  forward thinking EU	 EU  EU  AM	Inlets	
Controllers	 A Whole Farming World inside EU  EU/AS/AM	 EU/AS/AM  EU/AS/AM  EU/AS/AM  AM/AS  EU/AS/AM	Controllers	
Other	 EU/AS/AM	 EU	Other	

# Increased sales, challenging market environment

- Order intake decreased - weak APAC and EMEA markets. Digital Solutions in Americas grew
- Positive Broiler & Layer segments in Americas. Weak Chinese market. EMEA flat development – price increases ~10% of organic growth
- Adj. EBITA margin;
  - + Digital Solutions in Americas
  - continued lower sales volumes in APAC
  - further investments in Digital Solutions
  - war in Ukraine - uncertainties lead to lower order intake in EMEA and operational challenges in a production unit

	MSEK	Q2 2022	Q2 2021	Change (%)		
				Organic growth	Acquisitions & divestments	Currency effects
Order intake		554	636	-22	-	9
Order backlog		942	700			
Net sales		599	567	-5	-	10
Adj. EBITA		50	80			
Adj. EBITA-margin, %		8.4	14.1			





# Agenda

Introduction

Q2 highlights

AirTech

Data Center Technologies

FoodTech

Customer Cases



# Our largest orders in the battery segment ever

- **July 2022** - Order from large US car manufacturer
  - Total value ~MUSD 65 (including Munters climate control systems and field service work)
  - Deliveries Q2 2023 through Q3 2024
- Battery segment a prioritized growth area - this order validates our strong market position
- Proves we can combine modularized products and a market leading customer specific solution, creating simplicity and scalability



# Munters solutions support carbon capture processes



## Benefits

- Carbon capture - the process of removing CO<sub>2</sub> from large emission sources\* by safely capturing and storing in underground geological formations
- Technology solution applicable for large facilities in many industries

## Customer case

- Cement, steel and the chemical industry emit high levels of CO<sub>2</sub> when broken down and no green substitute exists
- Clean Technologies by Munters with Mass Transfer and gas-liquid separation solutions are critical parts of the carbon capture process
- Customer estimates a yearly reduction of CO<sub>2</sub> emissions by > 400,000 tons by the solution

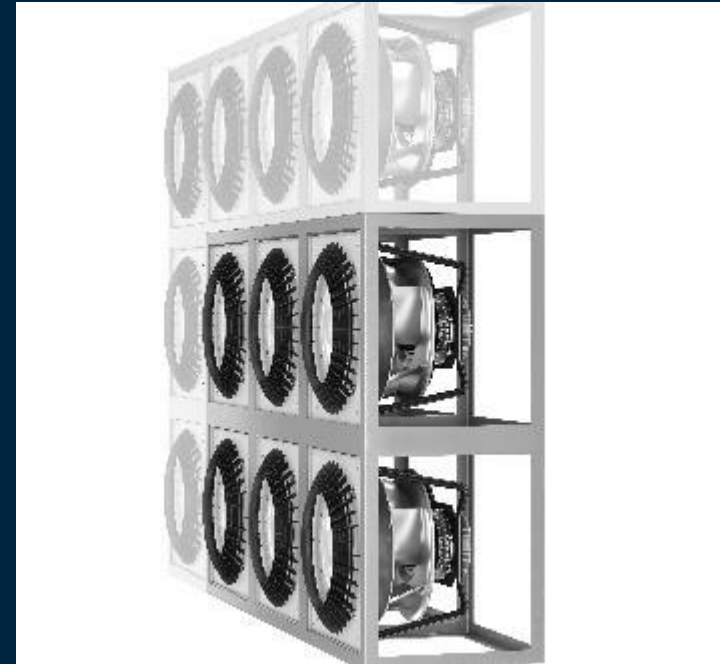
## Munters role\*

- Munters gas-liquid separator to be used where liquids and gases need to be separated
- Munters equipment features an advanced type of inlet distributor (IDM) that introduces liquid mixtures into a vessel or a column
- The IDM liquid removal capacity has an efficiency of ~90% and evenly distributes the onward gas flow

# Belgian air hub chooses Munters for fan optimization

- Liège Airport in Belgium is the 7<sup>th</sup> biggest cargo airport in Europe and the 22<sup>nd</sup> biggest in the world
- Massive amount of energy is used for creating a comfortable indoor climate for passengers, shopkeepers and employees
- Two extraction units were upgraded, and one fan unit replaced, which significantly reduced electricity consumption and reduced CO<sub>2</sub> emissions

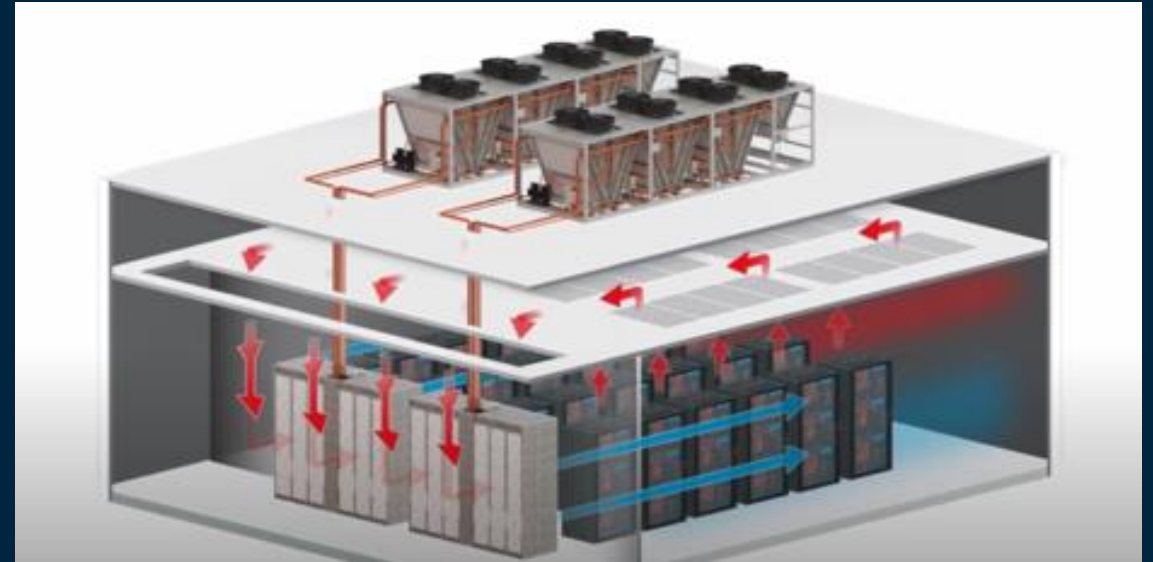
CO<sub>2</sub> emissions reduced by ~20 tonnes per year



*Liège Airport modernized its passenger terminal climate control units with the help of Munters. Fan upgrades save energy and reduce CO<sub>2</sub> emissions*

# Our largest orders ever for the delivery of SyCool Split

- **March 2022** - order received from leading data center colocation operator in US.
  - Total value approx. MUSD 115 (including SyCool Split and field service work)
  - Deliveries starting in Q4 2022 through Q1 2024
- **August 2022** - order received from leading data center colocation operator in US.
  - Total value approx. MUSD 176 (including SyCool Split and field service work)
  - Deliveries throughout 2024, starting in January 2024
- Munters offers:
  - high energy efficiency
  - zero water consumption
  - reliability
  - scalability
  - ease of maintenance and service support
  - compatible with forms of liquid cooling



## SyCool Split

- Energy efficient, thermosiphon-based dry cooling solutions for data centers.
- Minimizing environmental impact of data centers through free cooling without the use of water.
- Winner of Mission Critical magazine's 2021 Top Tier Product Award for Thermal Management Solutions.

# US Footprint Expansion

- Brand new state of the art facility opening in Roanoke region, Virginia
  - 365,000 square feet (34,000 m<sup>2</sup>) of manufacturing, office and R&D testing facility
  - represents over a 50% manufacturing increase over current Virginia facility
  - access to larger labor pool
  - completed in Q3, completely moved in Q4 2022
- Further expansion of data center production in Texas facility
  - SyCool Split production to begin in Texas in addition to Virginia
  - Texas to continue to focus on key accounts for DCT and Air Tech



# MTech Systems secures important SaaS contract

- MTech Systems, a company within FoodTech, secured an important contract to deliver its Software-as-a-Service (SaaS) solution with an order value of about MUSD 19
- FoodTech's strategy is to connect the entire food production value chain with innovative software and precision farming equipment
- The solution uses MTech's advanced information management tool that consolidates the numerous supply-chain operations, from farms to food production facilities



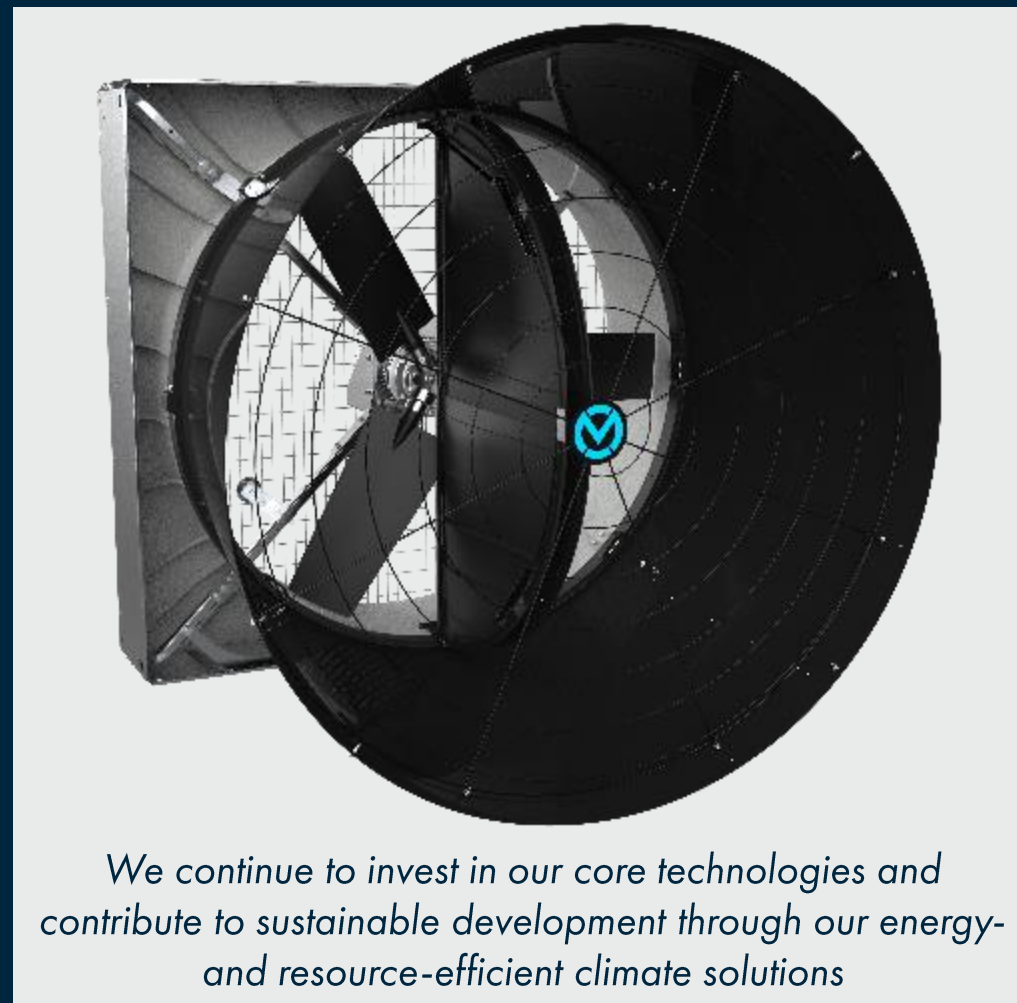
 **MTech Systems**  
a Munters company

Munters FoodTech – contributing to feeding the world in a sustainable way

## New product launch of Saturn FIVE ...

... following Saturn ONE introduced two years ago

- Saturn series - lasts longer, use less components and reduce running costs while ensuring a healthy environment for animals
- Modular - fully flexible configuration to meet the needs of any farm
- Sustainable - increases airflow while reducing operating costs, maintenance and energy consumption. Saves up to 60% on electricity costs
- Reliable - long service life and corrosion resistance features with Munters Protect, stainless steel and composite materials



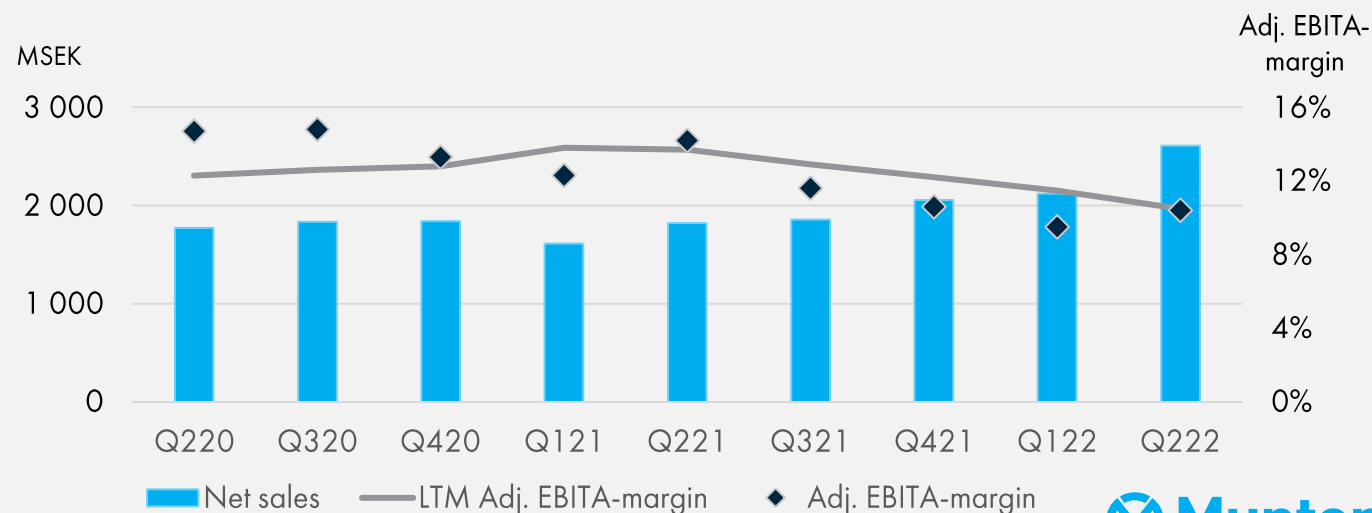


# Appendix

# Growth and investments to capture market opportunities

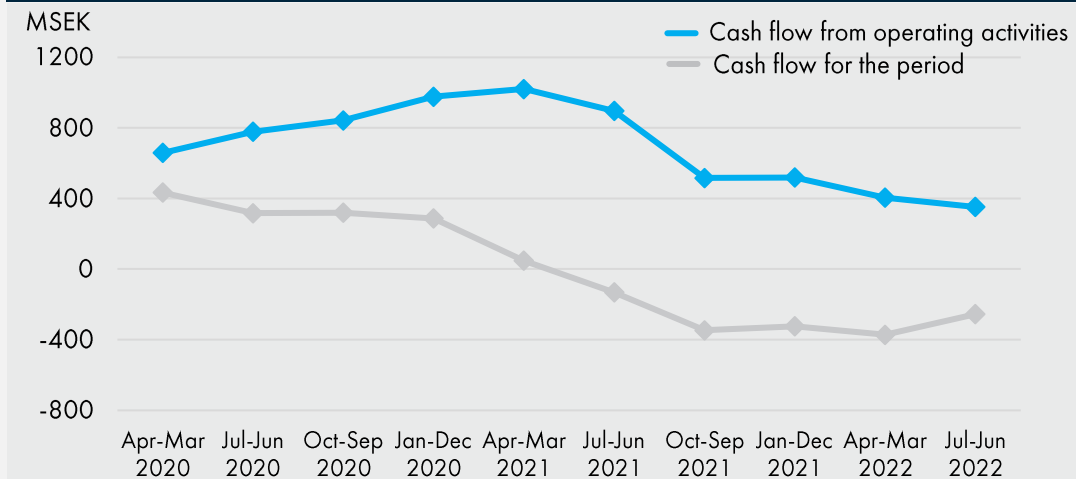
- Order intake - growth in DCT Americas and Battery and Service in AT
- Order backlog - continued to increase
- Net sales - driven by DCT and AT
  - Services 14% of total net sales
  - Price increases ~ 9% of the organic growth in Q2
- Price increases compensated for inflationary pressure, offset mainly by costs due to component shortages, business mix change DCT, lower EMEA and APAC volumes in FT and operational challenges
- Investments to continue in 2022

MSEK	Q2 2022	Q2 2021	Change (%)		
			Organic growth	Acquisitions & divestments	Currency effects
Order intake	3,200	2,118	33	2	17
Order backlog	7,515	3,018	114	3	32
Net sales	2,610	1,822	25	4	14
Adj. EBITA	272	259			
Adj. EBITA-margin	10.4	14.2			



# Strong growth – increased operating working capital

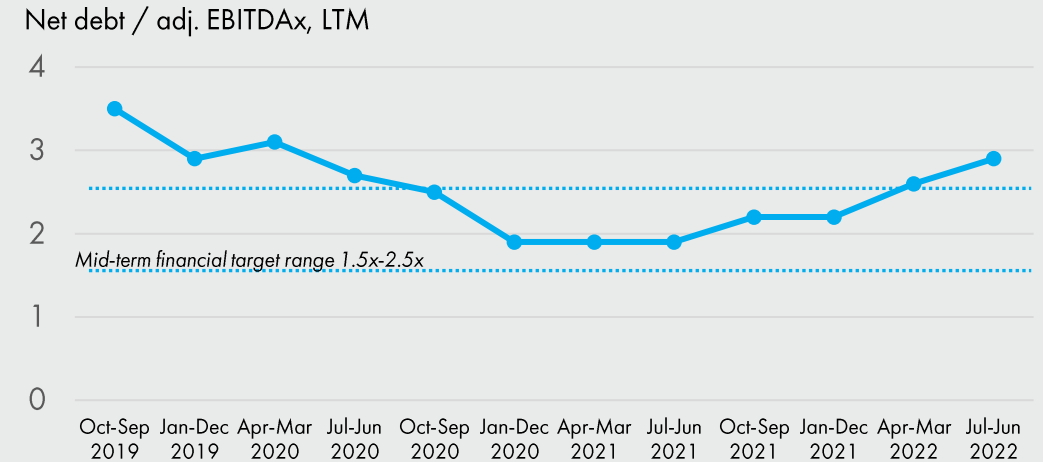
## Cash flow development, LTM\*



### Operating cash flow lower as:

- level of operating earnings lower
- negative impact from change in working capital driven by strong order intake:
  - increased inventory levels and accrued income
  - partly offset by increased advances from customers and better terms with suppliers

## Development of leverage



### Leverage ratio increased mainly driven by:

- EDPAC acquisition funded by debt
- negative exchange rate impact
- build-up of working capital because of strong growth in order intake
- dividend pay-out



# Measures for strategy implementation on track

	2020	2021	Status Q2 2022	Focus 2022
AirTech	<ul style="list-style-type: none"> <li>• Strategy implementation measures</li> <li>• Total costs and expenses about MSEK 200</li> <li>• Full year positive impact on EBITA, approx. MSEK 70 in 2023</li> </ul>		<ul style="list-style-type: none"> <li>• Realized costs and expenses of about MSEK 180</li> <li>• Approx. 75% of savings realized</li> <li>• Implementation according to plan, finalization in 2023</li> </ul> <div style="display: flex; align-items: center; justify-content: center;"> <div style="margin-right: 10px;">●</div> <div style="margin-right: 10px;">●</div> </div>	<ul style="list-style-type: none"> <li>• Strategy implementation activities to continue, preparation for finalization in 2023</li> </ul>
FoodTech	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy implementation measures</li> <li>• Total costs and expenses about MSEK 140</li> <li>• Full year positive impact on EBITA of approx. MSEK 50 in 2023</li> </ul>	<ul style="list-style-type: none"> <li>• Realized costs and expenses of about MSEK 110</li> <li>• As planned, no savings have yet been realized</li> </ul> <div style="display: flex; align-items: center; justify-content: center;"> <div style="margin-right: 10px;">●</div> <div style="margin-right: 10px;">●</div> </div>	<ul style="list-style-type: none"> <li>• Strengthened footprint and offering</li> <li>• More connected farms</li> <li>• Accelerate the software development</li> </ul>