



Munters

Capital Markets Update
28 May 2020

Agenda Munters Capital Markets Update

Introduction

Strategy

Sustainability roadmap

Performance management

Business Areas

Q&A



**We are part of the solution to meet
challenges caused by climate change**

Our purpose:

***For Customer Success and
a Healthier Planet***

We make a difference for the world

Munters enables farms to reduce poultry infection and use of antibiotics, with stronger yield and animal welfare

Munters VOC* systems can absorb 99% of targeted hazardous substances from indoor air

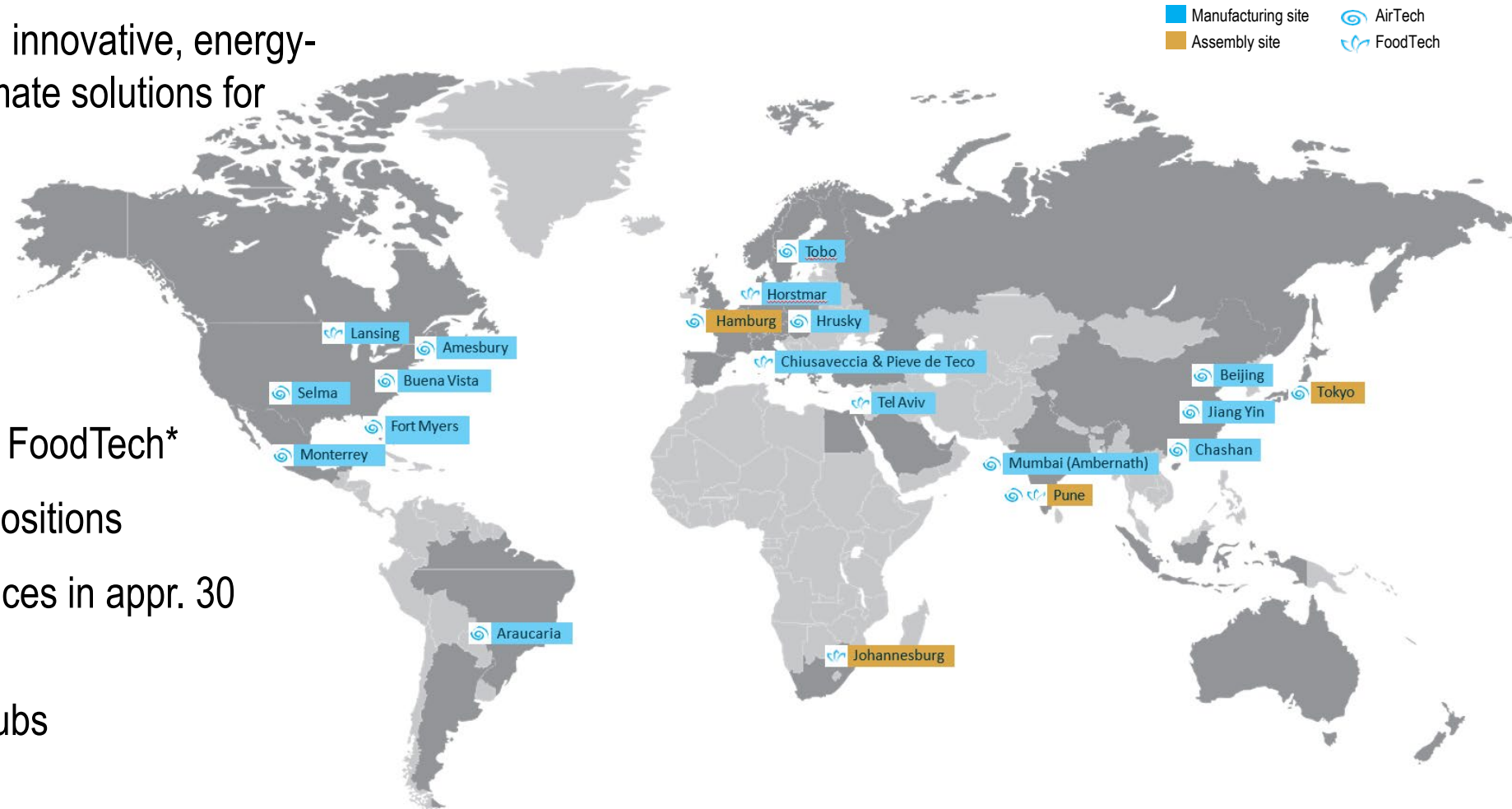
Munters equipment cleans appr. 20% of the world's electricity production



*Volatile Organic Compounds (VOC)

A truly global company

- Munters is a global leader in innovative, energy-efficient and sustainable climate solutions for mission-critical processes
- Founded in 1955
- ~ 3,100 employees
- 2 business areas: AirTech & FoodTech*
- 25% (20) women in senior positions
- Manufacturing and sales offices in appr. 30 countries
- 17 plants and 4 assembly hubs



*Net sales in 2019 for AirTech represented 72% of total net sales and FoodTech 28%.

Munters creates value in many industries

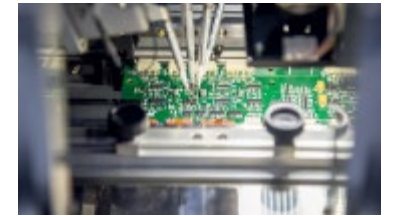
- Munters offers climate solutions to customers in many different industries
- Complete systems and solutions yield higher quality, increased productivity and lower energy consumption
- Munters products and solutions promote cleaner air, increased resource efficiency as well as reduced carbon emissions



 **FMCG* & Retail**



 **Data Centers**



 **Electronics**



 **Aviation & Defense**



 **Pharmaceuticals**



 **Shipping & Marine**



  **Food & Beverages**



 **Livestock**



 **Greenhouses**



*Fast Moving Consumer Goods (FMCG)

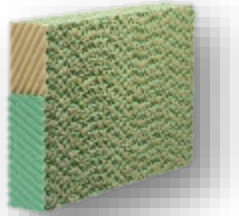
Note: These industries represent examples of industries Munters operate in.



Core technologies – Dehumidification and evaporative cooling

Shared Product Platforms

Evaporative cooling pads

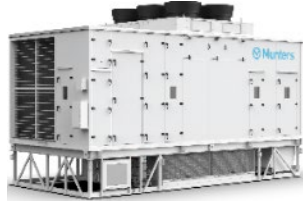


Controllers



AirTech offering

Indirect evaporative coolers (Oasis)



Dehumidifiers



Dedicated outdoor air systems

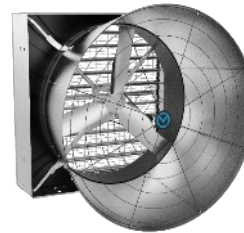


Retrofit / Upgrades



FoodTech offering

High-efficiency fans



Air inlets



Cooling Systems



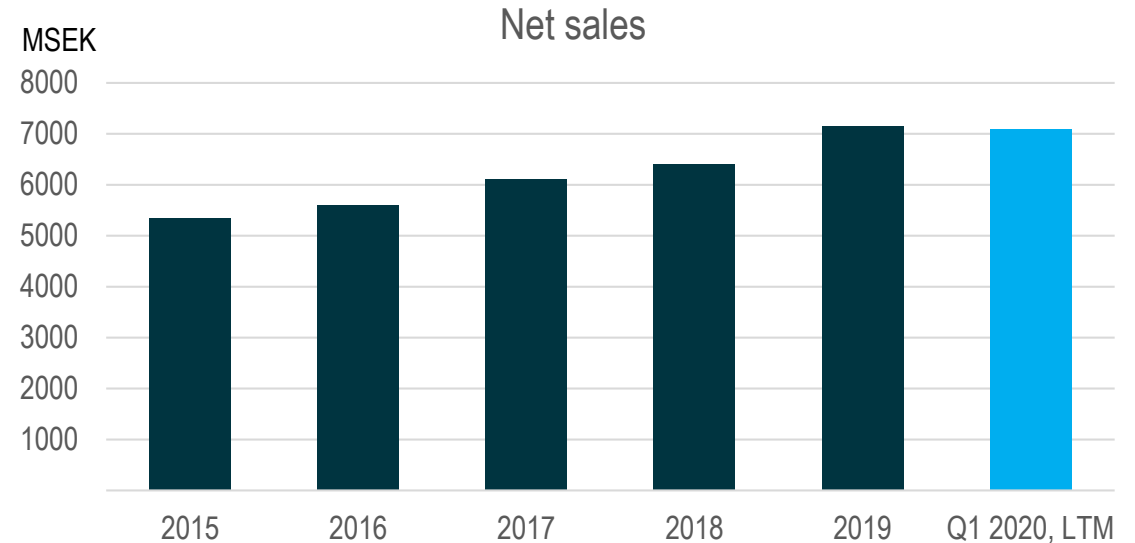
Sensors and software



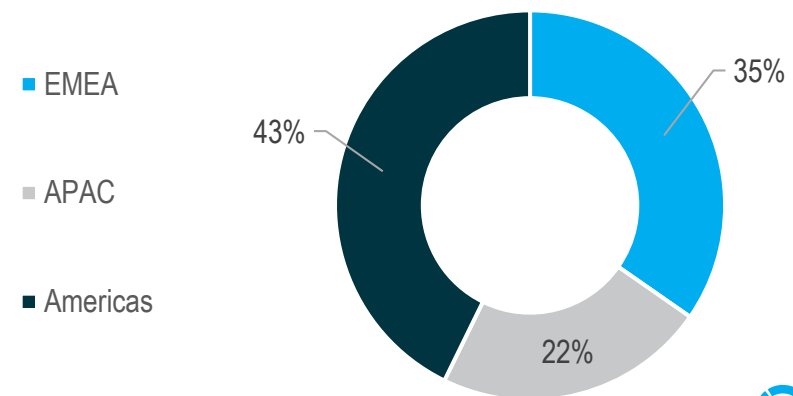
The above products are examples of products in the Munters offering.

Stable profitability, challenging business environment

- In the first quarter order intake and net sales impacted by the Covid-19 outbreak
 - Order intake declined organically by -8%
 - Net sales declined organically by -7%
- Adj. EBITA-margin in first quarter 2020 slightly improved 8.3% (8.1%)
 - Continuous focus on streamlined indirect costs and an active mitigation of the effects from the Covid-19 outbreak
- Focus on cash flow and continuous improvements is central to the ongoing refined strategy implementation
- Continued challenging business environment for 2020



Net sales per region, Q1 2020



Agenda Munters Capital Markets Update

Introduction

Strategy

Sustainability roadmap

Performance management

Business Areas

Q&A



Munters – unique application knowledge

Market trends:

- Climate change
- Population growth
- Digitalization

Customer needs:

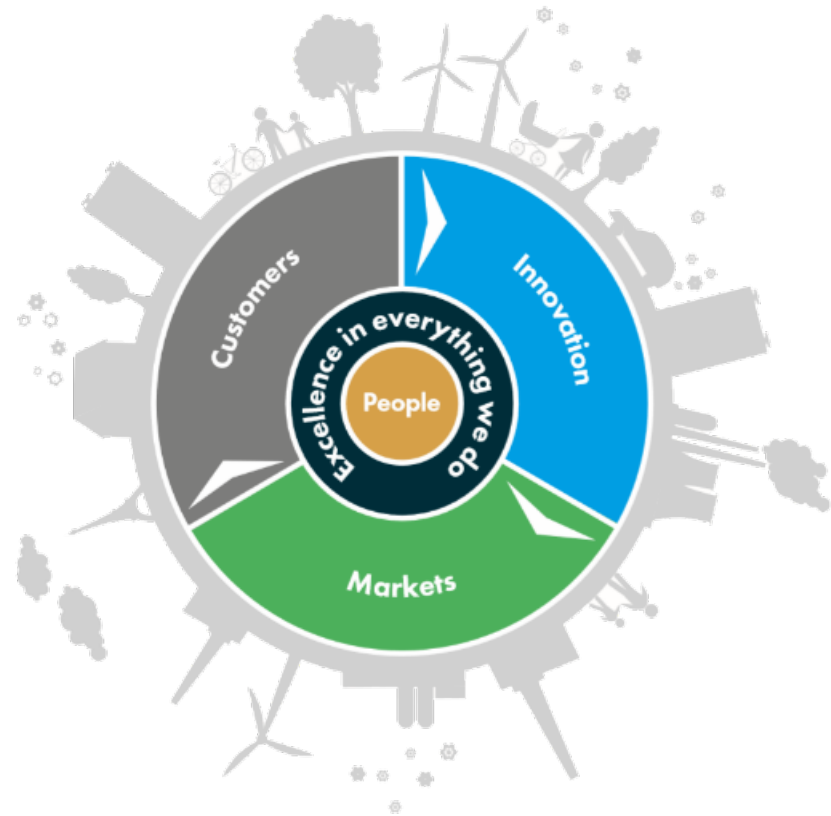
- Increased energy efficiency with higher yields, less waste, improved animal and human health

Munters offering:

- Proven energy efficient products and solutions
- Unique application knowledge
- Strong global market position, with local presence
- Large installed base
- Global Services offering

Refined strategy enabler for reaching mid-terms targets

Refined strategic priorities



	Mid-term targets
Net sales growth Annual growth in organic net sales starting in 2019, supplemented with add-on acquisitions.	5%
Adjusted EBITA-margin An adjusted EBITA-margin in the medium term.	14%
Capital structure (LTM*) A ratio of net debt to adjusted EBITDA, which may temporarily exceed this level (e.g. as a result of acquisitions.)	1.5x-2.5x

*Last Twelve Months (LTM)

Munters strategic priorities

For customer success and a healthier planet



Customers

Munters ambition:

Be the customers trusted adviser for energy efficient production processes related to climate control

Focus areas	2020	Beyond
Customer value	<ul style="list-style-type: none"> Commercial excellence role in Munters On-going analysis of pricing strategies, go-to-market models and evolving customers needs 	<ul style="list-style-type: none"> Commercial excellence throughout the value chain Value selling an integrated part of Munters culture – delivering minimum additional annual +0.5-1.0% net price change
Pricing strategies		
Go-to-market models		



Framework agreement in China – FoodTech

- Frame agreement with a Chinese customer in the Swine segment (valued at MSEK >100)
- Munters will supply ventilation and climate control system to large-scale farms; delivered over two years
- Improvement in the market after the previously weak demand in the Swine segment due to the following the African Swine Flu (ASF) last year



Innovation

Munters ambition:

Create the solutions of tomorrow, today

Focus areas	2020	Beyond
Focused R&D investments	<ul style="list-style-type: none"> • Focus on core technologies and sustainability 	<ul style="list-style-type: none"> • Strengthened market position in core technologies
Product portfolio alignment and adjustment	<ul style="list-style-type: none"> • Continued work on alignment and adjusting 	<ul style="list-style-type: none"> • Target to reduce product assortment by 40% in 2022*
Innovation process and manufacturing technology alignment	<ul style="list-style-type: none"> • Continued focus on modularization • Digitalization journey 	<ul style="list-style-type: none"> • Core product offering modularized • Offering for customers connected value chains



*Stock keeping units are included in the definition of product assortment

Modularization and digitalization enables SKU* alignment

Munters target reduce product assortment by 40% from start of 2019 to end of 2022.

*Product assortment defined as Stock Keeping Units = SKUs

AirTech examples:

- Modularized platform for small units. Reduction of product families. Estimated SKU reduction of 50%
- Modularized controller for all standard DH units (AirC). Reduction of controllers. Estimated SKU reduction of 60%
- Modularized large system units. Aim to reduce customization and shorten the lead time from RFQ** to delivery

FoodTech examples:

- Controller platform (Trio) – ~70% SKU reduction (products & accessories)
- Exhaust fan platform. 40% SKU reduction target.

**Request For Quote (RFQ)

AirC controller

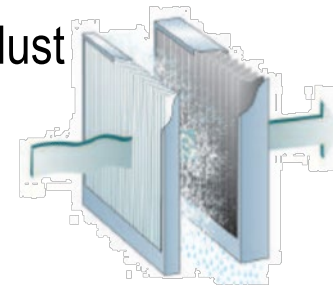
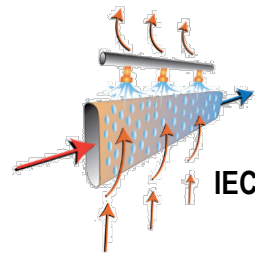
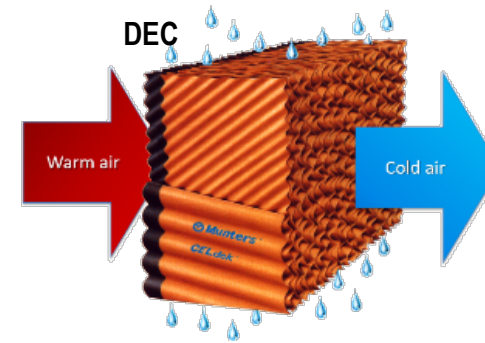
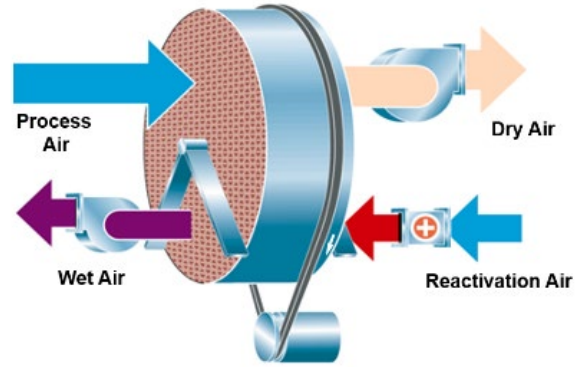


Trio controller



Munters – Air treatment technology

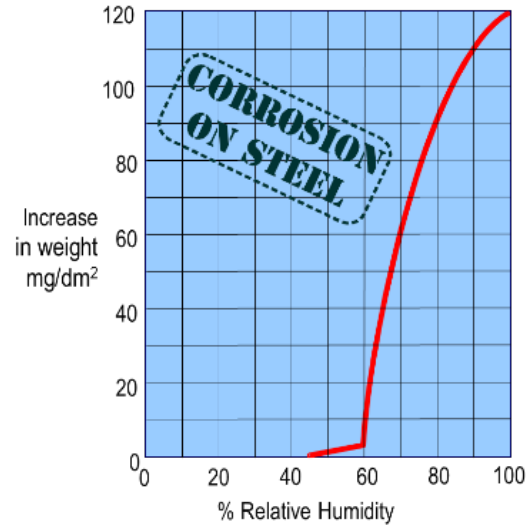
- Adsorption dryers
- VOC abatement
- Evaporative humidifiers
- Adiabatic cooling (evaporative humidifiers/coolers)
 - Direct (DEC) or indirect systems (IEC)
- Purification of air flows with mist eliminators removes droplets, soot and dust



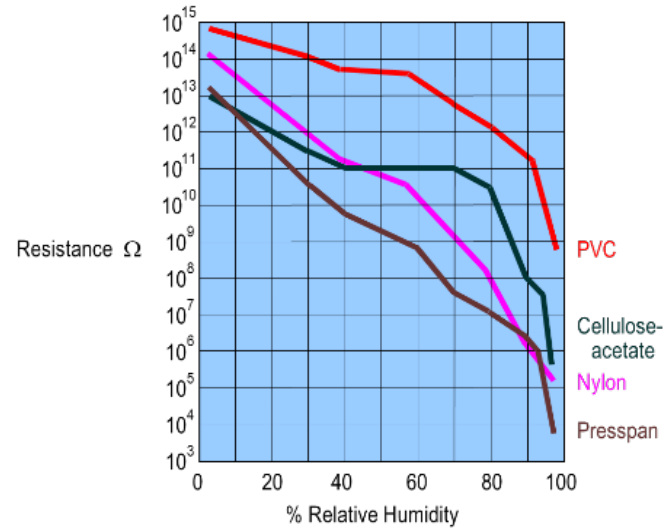
VOC = Volatile organic compounds

Moisture matters (examples)

With reduced humidity
lower or no corrosion



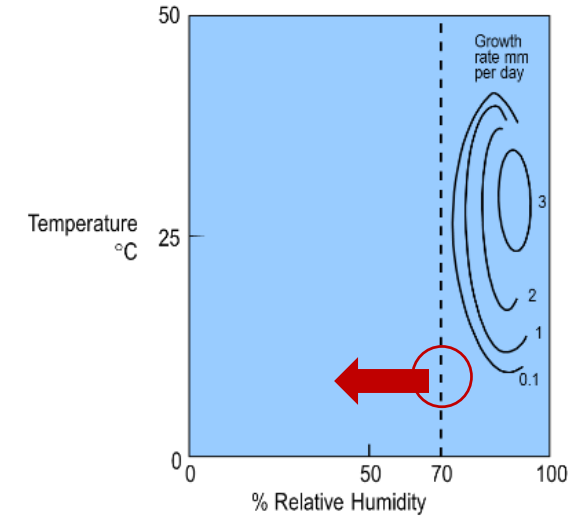
Reduced humidity reduces risk
of short circuits



Over insulation material



Risk of mold and fungi
increases with higher
humidification



Crawl space under house

Markets

Munters ambition:

Market leader in our prioritized markets and segments.

Focus areas	2020	Beyond
Prioritized markets	<ul style="list-style-type: none"> • Prioritized markets includes several segments, products and regions • Data driven products and solutions • Complete solutions • Services 	<ul style="list-style-type: none"> • Market position 1-3 in prioritized markets • Higher degree of data driven products and solutions • Services represent more than 30% of net sales
Services		



Remote assistance to ensure safety and efficiency

- Munters uses IFS Remote Assistance™ in Service operations to ensure safety of field staff while delivering increased efficiency
- Merged Reality (MR) solution that enables field technicians, engineers or customers to share real-life situational context with remote product experts so that hands-on service and repair instructions can be visually demonstrated and acted upon
 - Health and safety of our employees and customers
 - User-friendly tool for remote assistance a priority
 - Great potential in connecting back-office product experts to field technicians and even directly to our customers
 - Efficiency gains



Excellence in everything we do

Ambition:

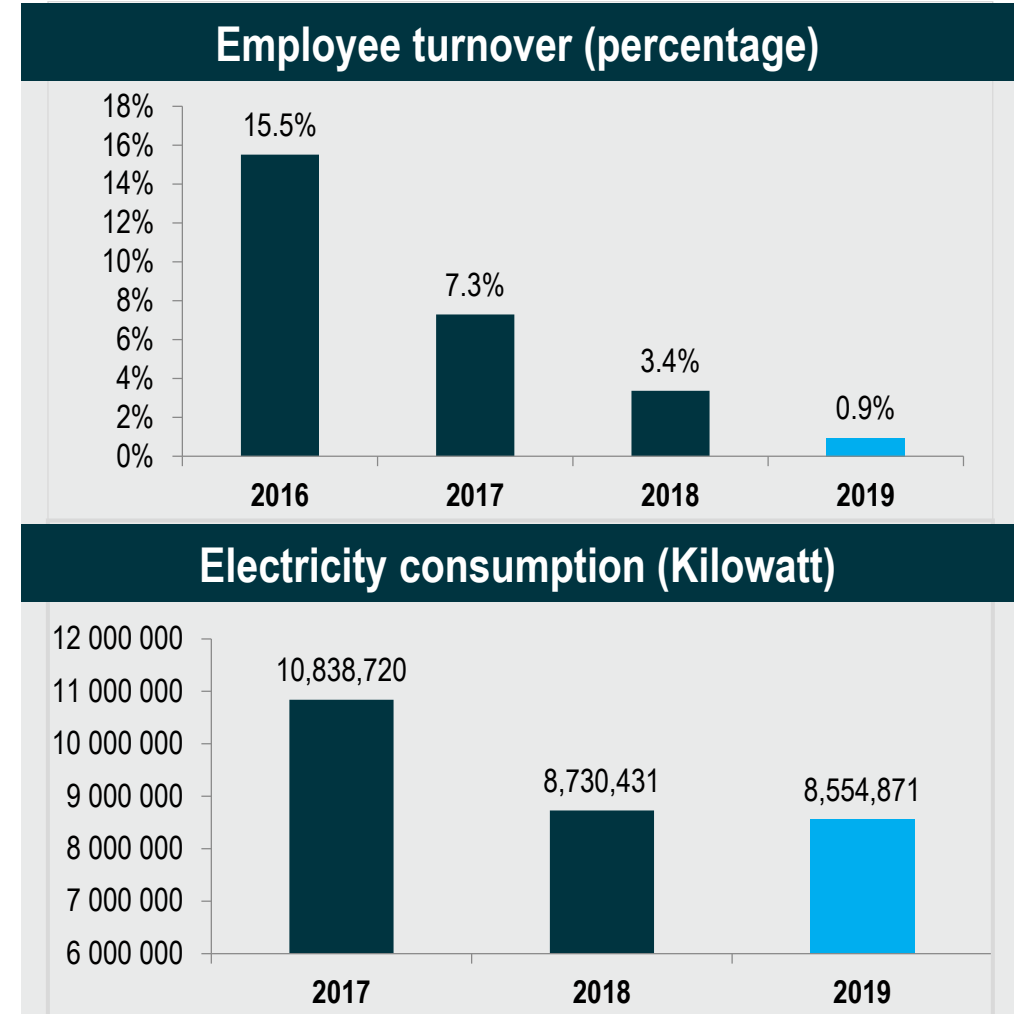
Never settle for good, constantly improve and strive for excellence in every step of the value chain.

Focus areas	2020	Beyond
Best practices processes	<ul style="list-style-type: none">Action plan for strengthening all processes in value chain	<ul style="list-style-type: none">Aligned processes throughout the whole value chain
Lean and Quality focus throughout the whole value chain	<ul style="list-style-type: none">Focus on working capital, Quality and manufacturing footprint efficiency	<ul style="list-style-type: none">Optimized working capital efficiency
Optimize manufacturing footprint		<ul style="list-style-type: none">Efficient manufacturing footprint



Successful improvements in Monterrey plant

- Munters manufacturing plant in Monterrey, Mexico produces mainly evaporative cooling pads
- Previously struggled with deliveries and quality issues
- A new management team and motivated employees have, through systematic Lean-improvements, created efficiency and stability in the plant
- Drastically lowered employee turnover, from 15.5% to 0.9%
- Higher output from the factory but reduced with electricity consumption
- Waste disposal has gone down -24% driven by efficiency and focus on sustainability



People

- People are at the heart of our strategic priorities
- Developing people and leaders are essential to drive our priorities and achieve our goals
- Munters promotes multiple career opportunities, both in different disciplines and regions
- Driving diversity is important for innovation and growth
 - Goal to have 30% women and women leaders in the workforce by 2025 (up from 25% at the end of 2019)



Organizational redesign and people development

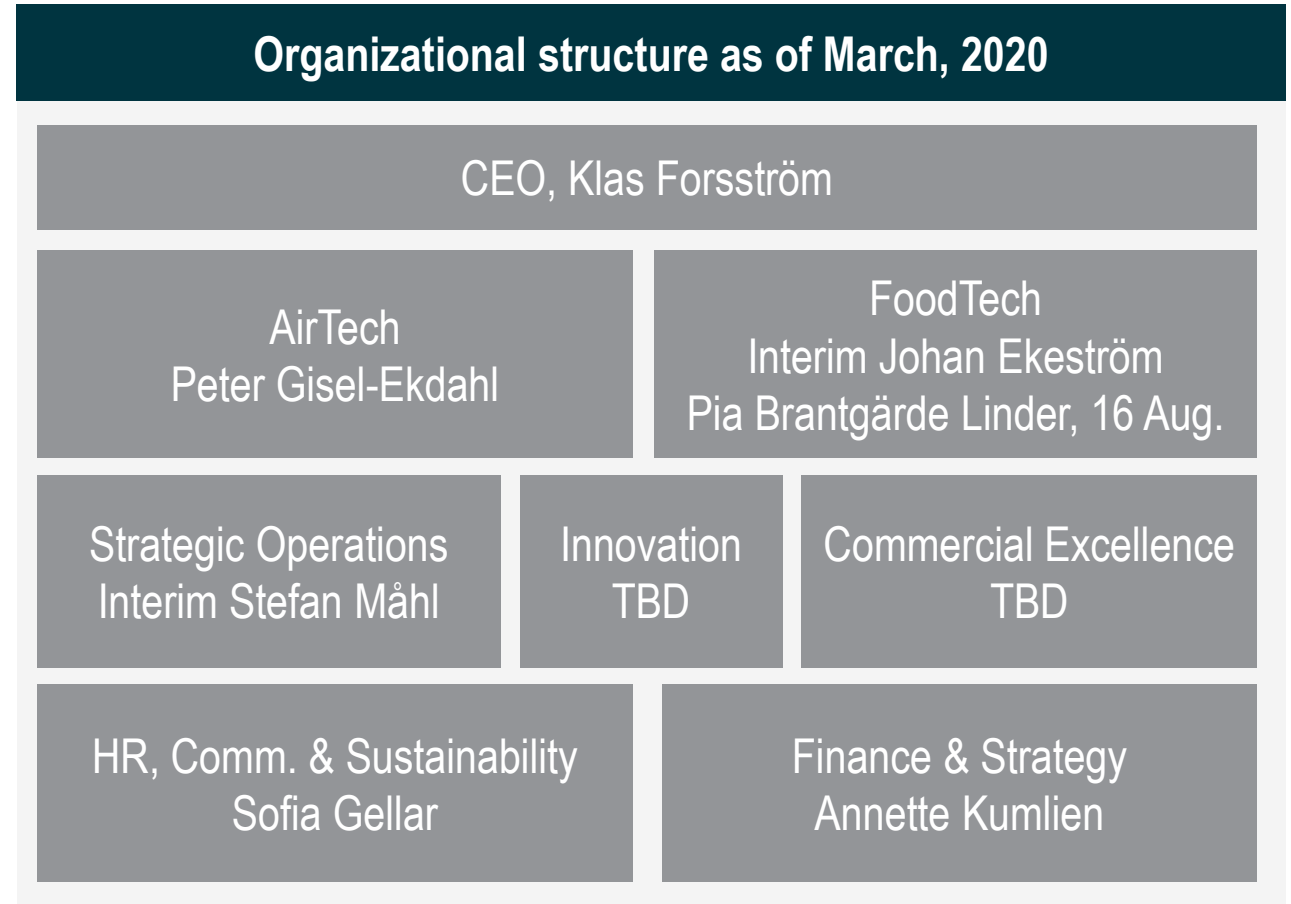
The organizational structure adapted to be more business oriented and customer focused, with:

- Clearer business ownership, aligning value chain within Business Areas, capturing logical synergies and value drivers across the Group
 - As of 2020 Head of Business Area has full P&L responsibility for respective area

Functional process responsibility for implementation and coordination of:

- Strategic operations
- Innovation
- Commercial excellence

People development - Initiatives identified to strengthen leadership and competence development in line with refined strategic direction



Agenda Munters Capital Markets Update

Introduction

Strategy

Sustainability roadmap

Performance management

Business Areas

Q&A





Sustainability strategic driver for Munters

- Sustainability is incorporated into everything we do, covering:
 - Design our products
 - How we operate our business
 - The energy efficiency and yield provided to the customers through our products
- Munters has defined a Sustainability Agenda with 3 major areas and eight priorities
 - KPIs for all three areas defined and reported
- Munters supports UN Global Compact and the Sustainable Development Goals
- As of 2019, Munters reports to the Carbon Disclosure Project (CDP)

Munters Sustainability agenda - eight prioritized areas:			
	1. Sustainable products and offerings	2. Sustainable production	3. Sustainable transportation
	4. Sustainable, profitable operations	5. Business ethics	6. Collaboration
	7. An equal and inclusive work environment	8. Community involvement	





Sustainability in 2020 and beyond

2019	2020	Beyond
<ul style="list-style-type: none">• <u>Analysis</u> of current situation, including short- and long term financial and strategic ambitions• Decision to <u>prioritize</u> sustainability issues and to more ambitious goals	<ul style="list-style-type: none">• Analysis and deep-dive into all areas defined during fall of 2019• Discussions and alignment around target and ambitions• Set targets and start journey	<ul style="list-style-type: none">• Strong ambition to become more transparent around energy-efficiency of our products and solutions• Ambitions and targets defined for various steps in the value chain• Start to report on CO2 emissions



Munters contributes to more sustainable agriculture

- Munters products and solutions increase efficiency of farms as well as animal welfare
- Munters contribute to more sustainable livestock keeping by developing full farm solutions, providing a perfect climate for the animals and a high farm productivity
- Chicken meat accounts for about 24% of the global meat production
- Broilers & layers are estimated to emit 0.55 giga tonnes CO₂-eq, representing 8% of the livestock sector's emissions



We develop a fully connected food chain, optimize animal welfare, climate and energy & resource consumption with high productivity



Munters contribution to the emission reduction

Indirect contribution:

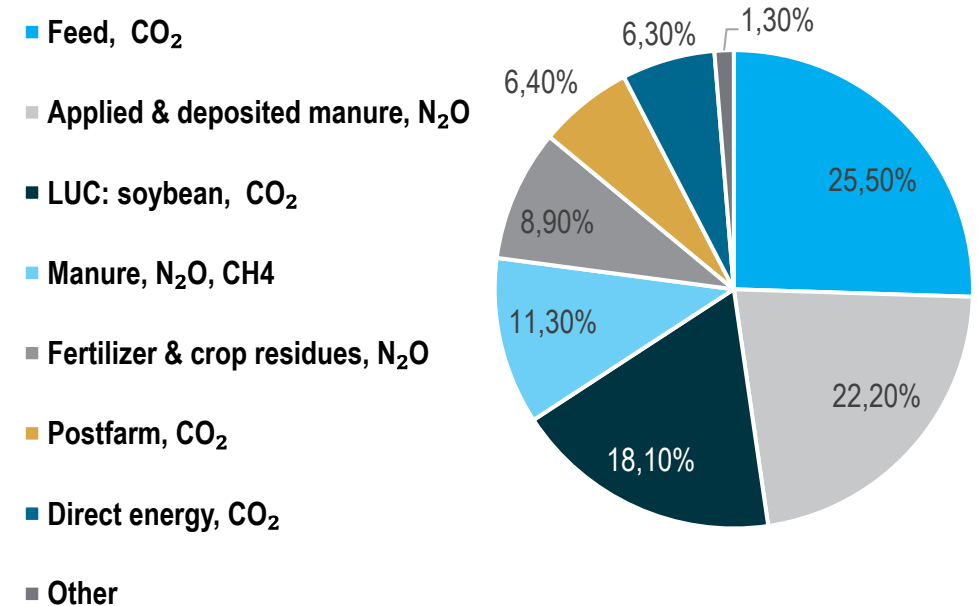
- Feed conversion ratio improvements
- Feed delivery & production planning optimization
- Reducing the manure quantity per kg of meat
- Higher meat quality & reduced mortality

Direct contribution:

- Improved animal welfare
- Munters products and solutions reduces energy consumption significantly

Considering a Munters installed based of 57,000 broiler houses in the world, we estimate that Munters equipment contributes to savings equal to 3.42 megaton CO2 over 12 years

Emission breakdown poultry house



Source: FAO - Animal Production and Health Division - Global Livestock Environmental Assessment Model.

LUC = Land-Use Change

Postfarm, CO₂ = Green House Gas emissions related to fuel combustion and energy use in transports, procession and refrigeration of products and packaging material.

Journey ahead supported by strong market drivers

- Strong market drivers support long-term demand for Munters products and solutions
- Sustainability important, current business environment highlights the importance even more
- High demand for clean air in many industries with mission critical processes
- Increased data traffic drives investments in data centers
- Strong potential in Services and data driven solutions



Agenda Munters Capital Markets Update

Introduction

Strategy

Sustainability roadmap

Performance management

Business Areas

Q&A



Q1 2020 vs. Mid-term targets

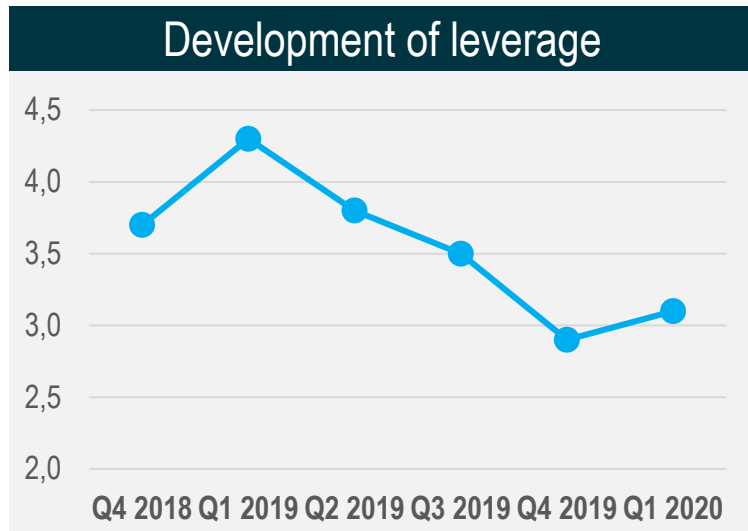
	Mid-term targets	Q1 2020
<p>Net sales growth Annual growth in organic net sales starting in 2019, supplemented with add-on acquisitions.</p>	5%	-7%
<p>Adjusted EBITA-margin An adjusted EBITA-margin in the medium term.</p>	14%	8.3%
<p>Capital structure (LTM*) A ratio of net debt to adjusted EBITDA, which may temporarily exceed this level (e.g. as a result of acquisitions.)</p>	1.5x-2.5x	3.1x



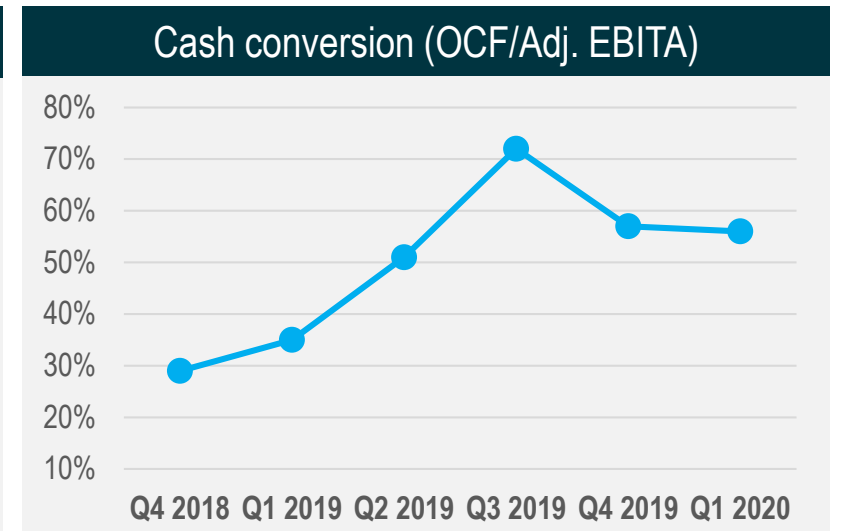
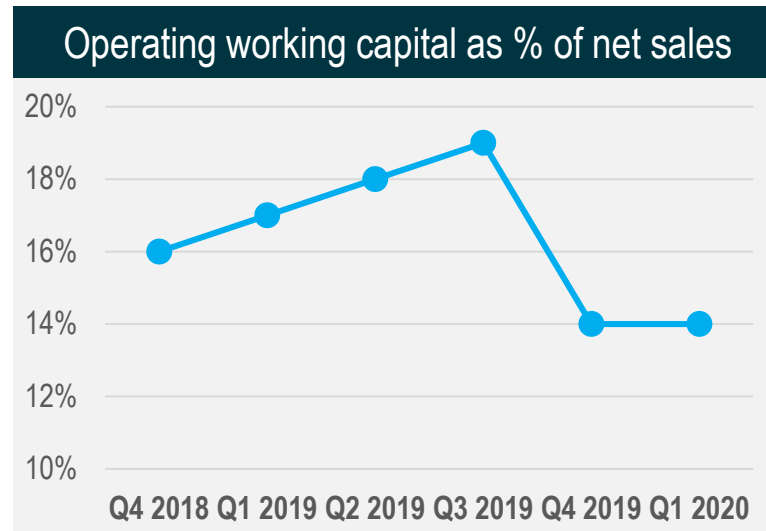
*LTM = Last Twelve Months

Strengthened financial position

- Initiative to improve working capital efficiency has led to decreased leverage and increased focus on cash management
- Continued focus on cash conversion (improving profits and working capital)



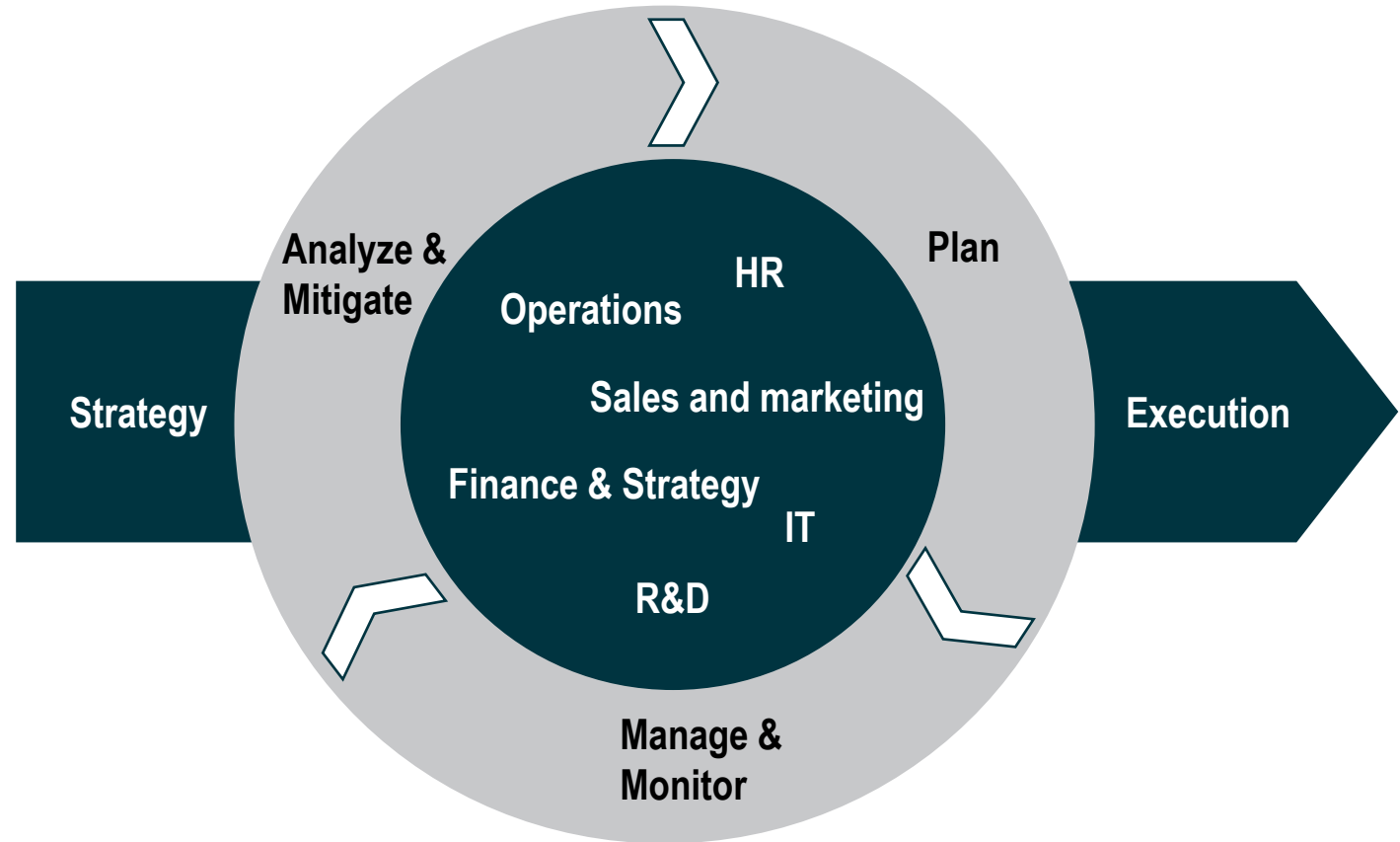
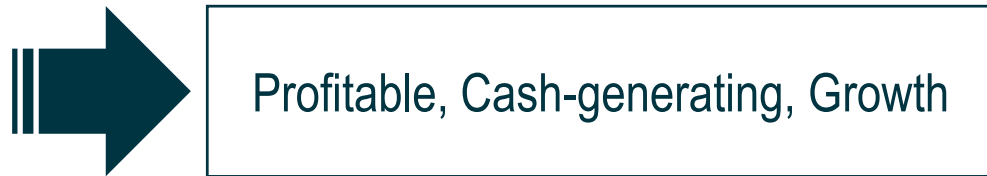
Leverage = Net debt / EBITDA



OCF = Operating Cash Flow

Performance management

- Plan and set aligned objectives
- Integrate all steps of the value chain
- Drive timely execution and close gaps

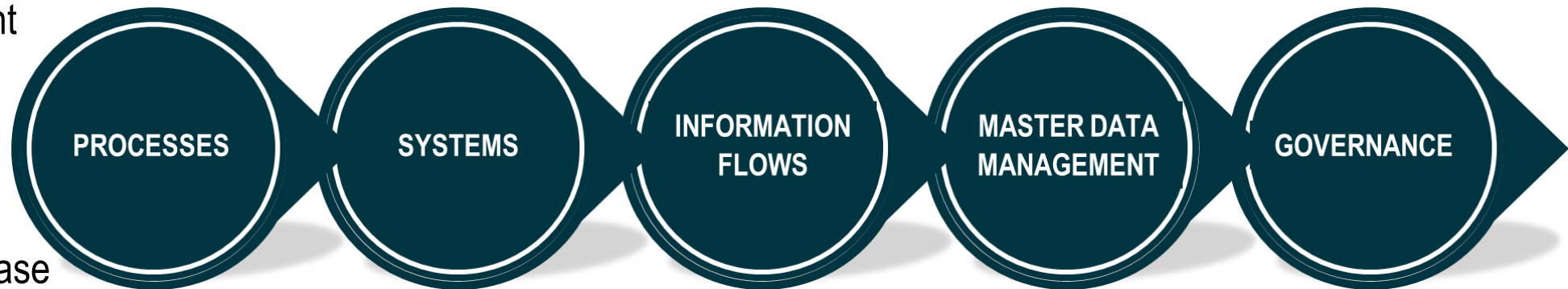


World-class processes throughout the value chain

- Excellence in everything we do requires strengthened ways of working; work initiated to ensure world-class processes throughout the value chain
- Aiming at ensuring scalability and contribute to profitable, cash-generating growth

All processes throughout the value chain addressed, e.g.:

- Research & Development
- Product Management
- Sales-to-Order
- Sourcing
- Order-to-Delivery
- Delivery-to-Repurchase
- Finance processes
- Core HR processes



Agenda Munters Capital Markets Update

Introduction

Strategy

Sustainability roadmap

Performance management

Business Areas

Q&A



AIR TECH



Global leader in dehumidification and cooling solutions for demanding industrial applications



#1 position in markets representing majority of AirTech net sales

72% of Group net sales in 2019

Munters part of the global Covid-19 pandemic response

Since March 14th, Munters has supported several Covid-19 response applications.

Supporting Indoor climate application:

- Clean rooms
- Cooling chambers
- Storage rooms



Supporting critical production:

- Covid-19 test kits
- Plastics parts used in test kits
- Active Pharmaceutical Ingredient (API)



AirTech – For Customer Success and a Healthier Planet



We **reduce global energy consumption** every year by the equivalent of the usage of more than **1 million households**



We **support the transition** from combustion-driven cars to electric cars powered by Lithium batteries



We **connect the world** by securing Data Centers operate efficiently and more sustainably.

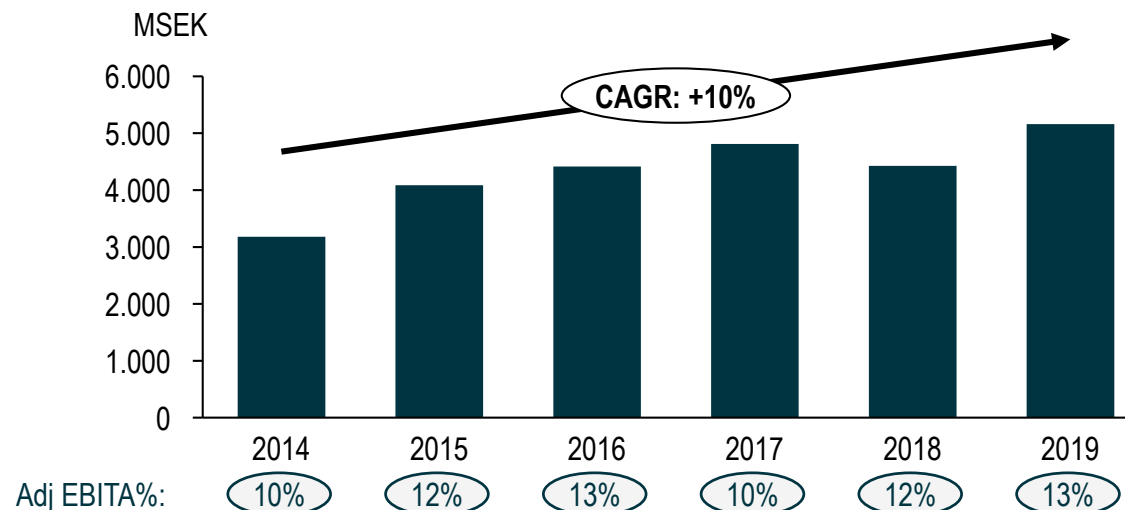


We **create a healthy climate** indoor by reducing virus spread in hospital and public places and outdoor by reducing air pollution.

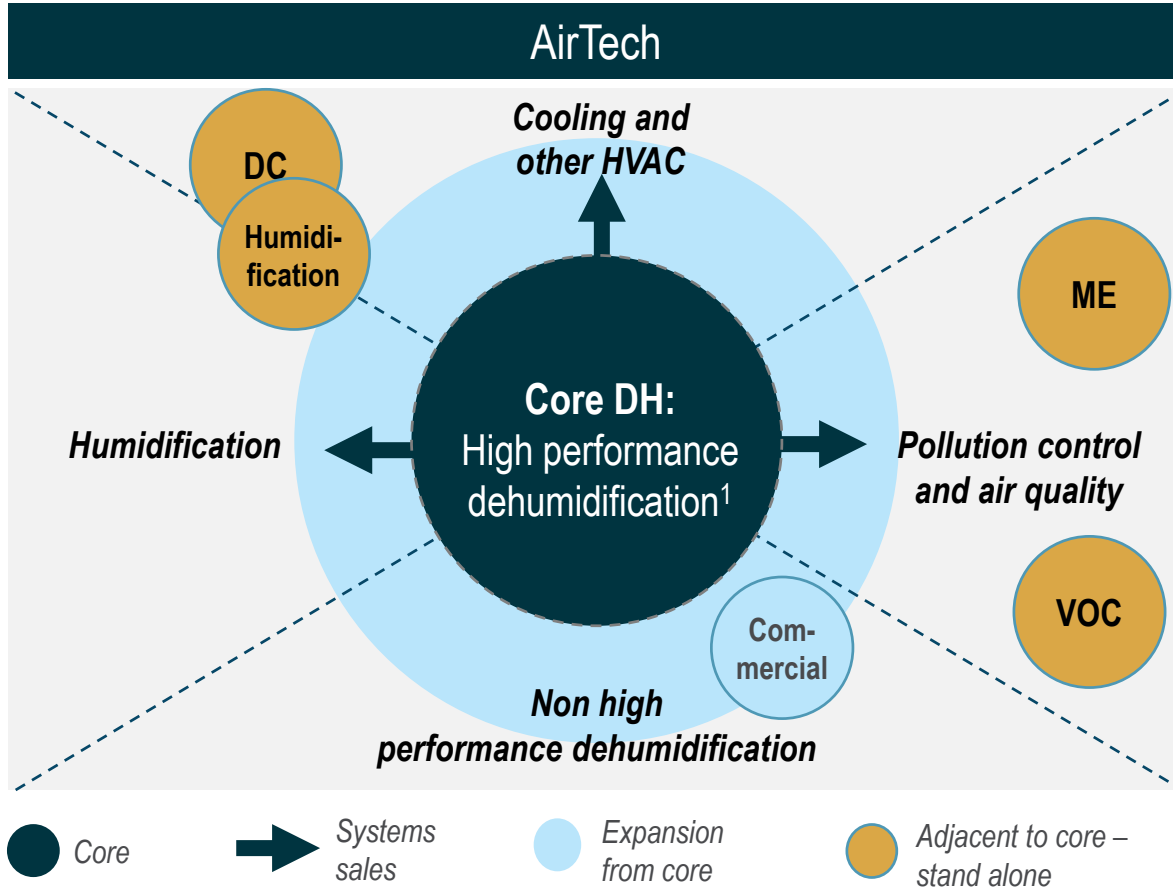
Blue-chip customer base



Solid growth over time (Net sales, MSEK)¹









































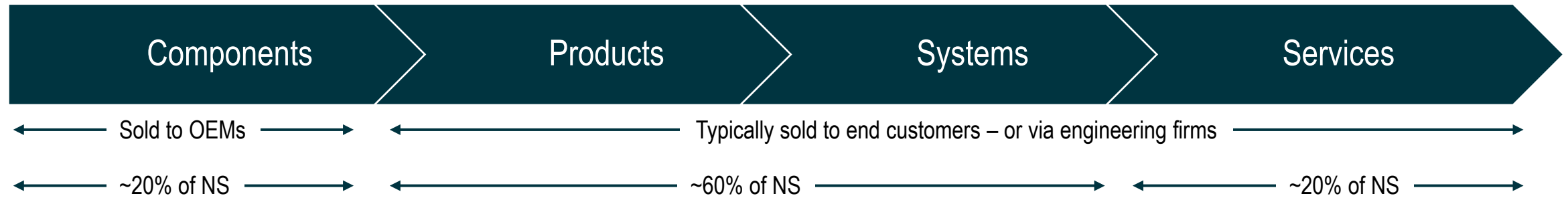
AirTech - Core competences in high performance dehumidification

















	TECHNOLOGIES	APPLICATIONS
Core DH	Rotor-based high-performance dehumidification (DH)	Industrial manufacturing, preservation areas and various other applications
Commercial	Rotor-based dehumidification and dedicated outdoor air systems (DOAS) solutions for human climate	Supermarkets and other commercial and public spaces
Humidification	Components based on evaporative cooling and humidification technology	Industrial processes, indoor climate control and data center cooling
VOC	Air filtration using rotors to remove volatile organic compounds (VOC) from the air	Typically used in chemical processes
DC	Dry and wet cooling technologies (including humidification components)	Data Centers (DC)
ME	Mechanical droplet separation and Mist Elimination for filtering of polluted air and mass transfer substance separation	Energy production, marine engines and process industry applications

We provide a broad offering of sustainable solutions

  <p>Mist Eliminators</p>	  <p>Heat Exchangers</p>	  <p>Dry Coolers - eg Thermosyphon (SyCool)</p>	  <p>Rental</p>
  <p>VOC elimination rotors</p>	  <p>Portable / Small dehumidification</p>	  <p>Indirect Evaporative Coolers (Oasis)</p>	    <p>Spare parts</p>
  <p>Dehumidification rotors</p>	  <p>Stand-Alone Dehumidification and humidification</p>	  <p>Dedicated Outdoor Air Systems</p>	   <p>PrimaCaire maintenance contracts</p>
   <p>GlasDek humidification pads and sub-systems</p>	  <p>Mobile (rental)</p>	  <p>Dehumidification Systems with/without piping</p>	    <p>Retrofits / Upgrades</p>



Munters leader across prioritized markets

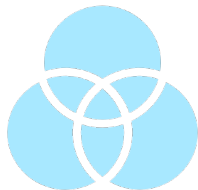
Markets	Size in Munters	Long-term market outlook
 Data Center Cooling		Strong growth driven by increased usage of cloud-based solutions
 Lithium Battery Dehumidification		Strong growth driven by electrical vehicle transition
 General Industrial Dehumidification		Growth typically ahead of GDP as awareness of benefit of controlling humidity is raising
 Marine, Power and Process Mist Elimination		Solid growth driven by sustainability trends - sensitive to regulatory environment
 Supermarkets & Commercial Dedicated Outdoor Air Solutions		Weak growth – however Munters has a large installed base to maintain and refurbish
   Services		Solid growth as installed base grow and customer see benefits of expert services

AirTech to strengthen, expand and build



STRENGTHENING

- Stabilize, improve and innovate to grow our core dehumidification business for mission-critical applications
- Prioritize fast-growing Food and Battery markets and Services – while serving many other customer segments as well



EXPANDING

- Provide extended offerings and customer value – based on our core dehumidification technologies
- Drive our digital offering and full systems solutions



BUILD

- Pursue opportunities in Data Center cooling, other humidification and Mist Elimination

Initiatives enabling growth

Enabler themes	Alignment and Governance	People and Knowledge	Innovation	Commercial Excellence	Processes and Tools	Efficiency
Objective	Secure that governance and follow up structure are aligned with strategic ambition	Ensure that key knowledge is mapped and retained , and improve skills through training	Drive innovation to support strategic ambition, with mid/long term perspective	Secure ways of working and support that improves commercial efficiency and success	Develop processes and tools to improve organizational efficiency	Focus on actions to improve cost efficiency and profitability



*DC = Data Center



How important is proven CO₂ savings?



What is the cost of water and water discharge?



How much is 30% energy savings worth for you?

Munters make the difference in Data Center solutions, improving total cost with reduced use of energy and water

Data Center USPs



Outstanding data centers cooling expertise



Products that outperform the rest

- Savings on energy consumption
- Savings on CO2 exhaust
- Minimizing water consumption and discharge



A unique system to give you outstanding uptime



Global service at your disposal including up to 4 years extended warranty

Selling on customer value

- Reliability – no need to exchange the pads every 2-3 years
- Low pressure drop – 20 pa pressure drop costs 0.5 kW / fan.
- Ability to withstand most water qualities – no need to invest in water cleaning
- Ability to disinfect using low pH or very strong disinfectants - Legionella

Sustainability values

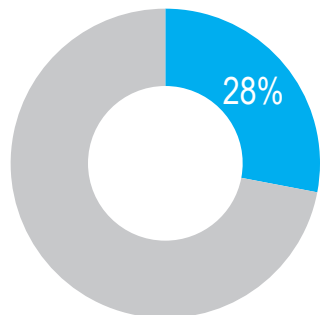
- Every kWh equals 0.5 kg CO2 in USA
- Our solution can save up to 100 L of water/h which equals to 10,000 L of water / data center / h → 30,000 m3/year

Cost Saving	€ 1,500,000
Savings CO ₂	Up to 300 tonnes / year
Savings on Water and Discharge	Up to 30% reduct.

FOOD TECH



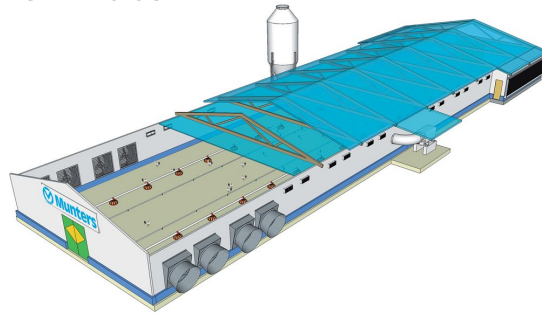
Share of Munters' sales 2019



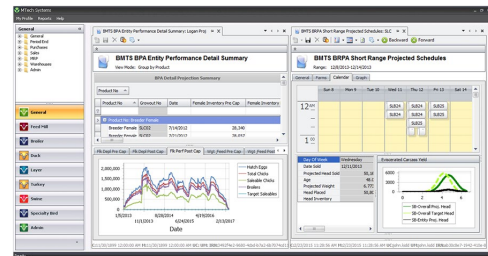
FoodTech – We help to feed the world

For customer success and a healthier planet –
We help to feed the world by changing the way we farm

Create the perfect climate



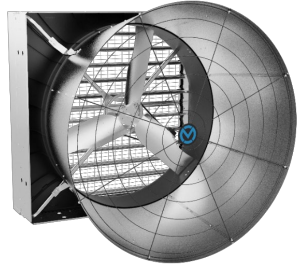
Connect and digitalize the supply chain



- Offer equipment and solutions to create the optimal climate for livestock and greenhouse production, including hardware and know-how/design
- Offer services and software to support food producers to optimize their whole value chain, including both live operations and processing

Our contribution to our customers and the planet – safe and healthy food using less resources

FoodTech's equipment offering



Fans



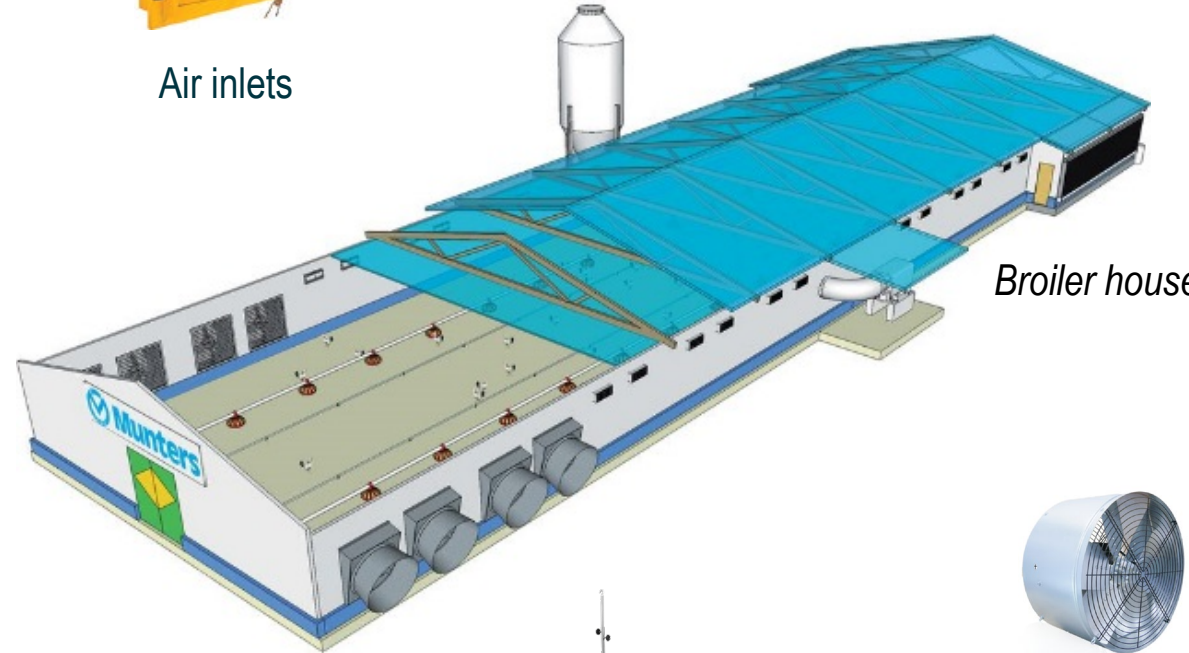
Air inlets



Heaters



Cooling systems



Broiler house



Air cleaners and Heat recovery units



Climate Controllers

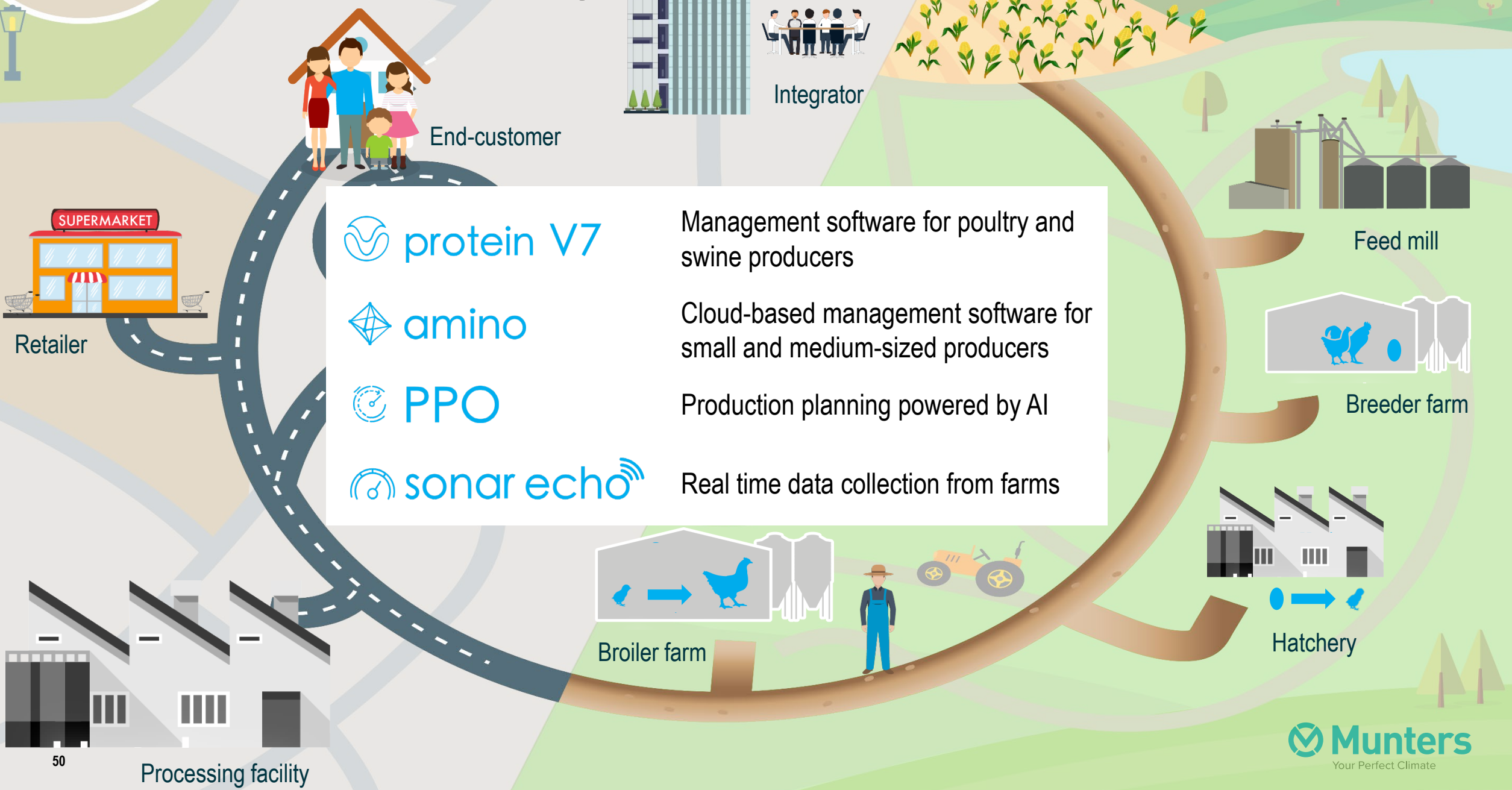


Air circulators



Sensors

FoodTech's software offering



 protein V7

Management software for poultry and swine producers

 amino

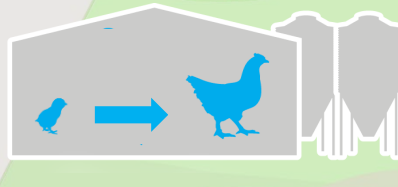
Cloud-based management software for small and medium-sized producers

 PPO

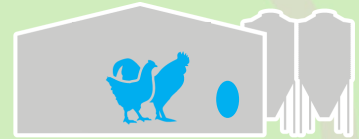
Production planning powered by AI

 sonar echo

Real time data collection from farms



Broiler farm



Breeder farm



Hatchery



Feed mill



Retailer



Processing facility

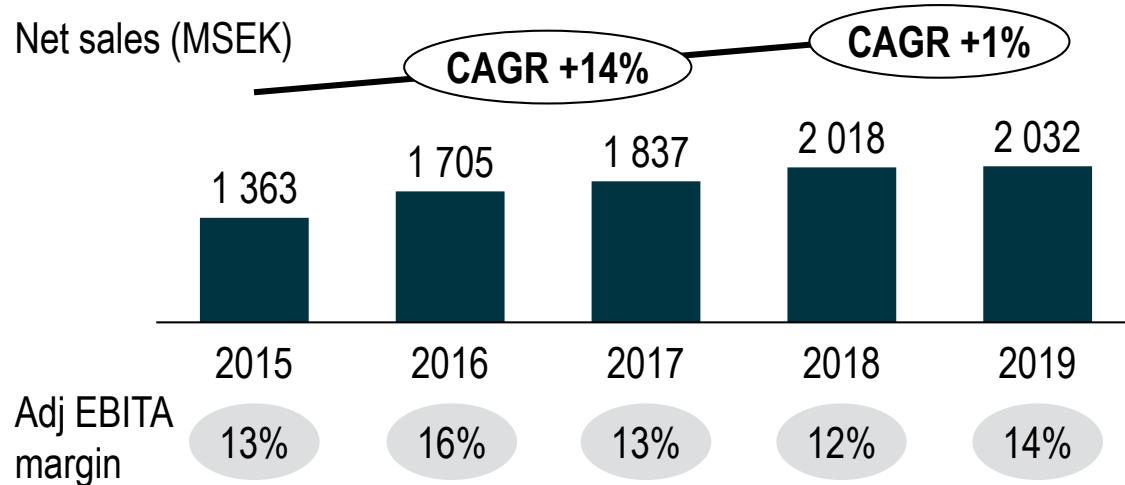
FoodTech overview

Selected customers

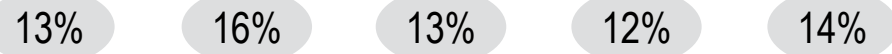


Financial performance

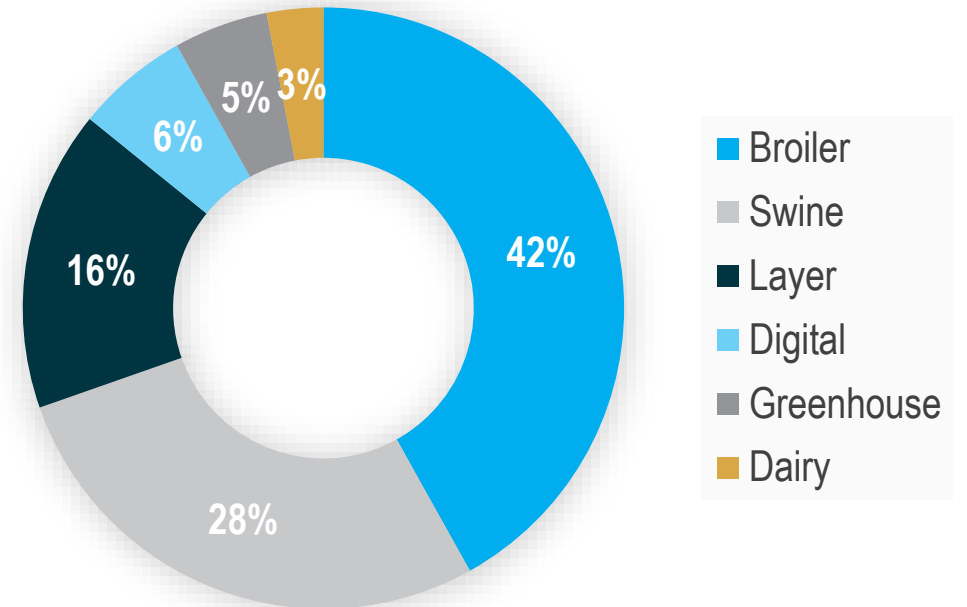
Net sales (MSEK)



Adj EBITA margin



Sub-segments (Share of Net sales 2019)




Market leader in several geographical markets


Markets	Size in Munters	Long-term market outlook
Broiler (Chicken)	L	Solid growth driven by developing markets
Layer (Eggs)	M	Demand for cage-free production to drive growth, especially in US
Swine	M	Strong growth in Asia medium-term driven by recovery after African Swine Fever (ASF), long-term global market outlook weak
Dairy	S	Weak growth driven by lower consumption
Greenhouse	S	Strong growth driven by increased demand and more advanced greenhouses
Digital	S	Strong growth driven by digitalization of the industry

Looking ahead - The FoodTech strategy


Our direction

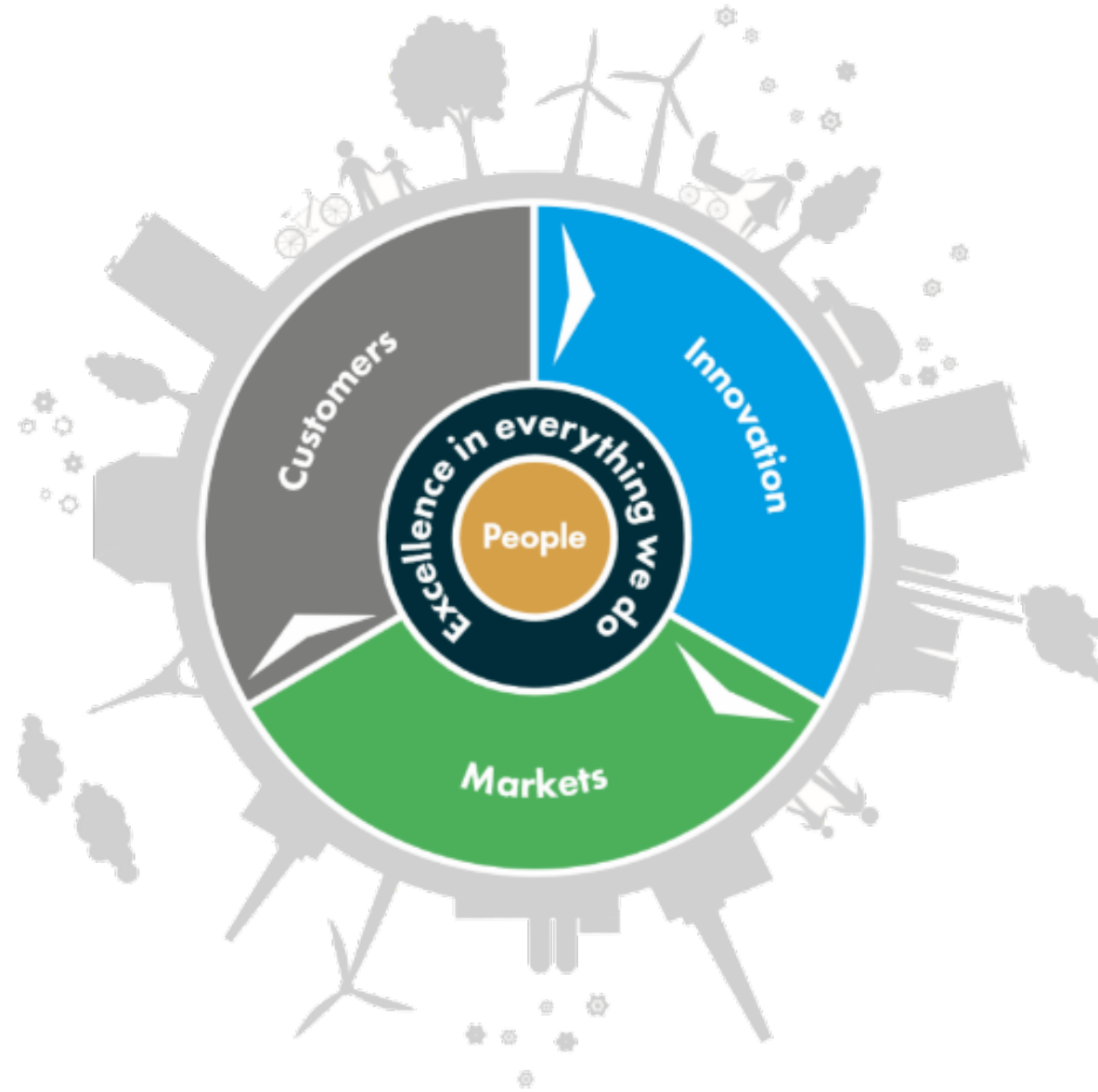
Customer Focus
Connect our customers
supply chain 

Innovation
Create the Perfect
Climate 

Market
Grow in growing
markets 

The base

People
Grow our People 



Focus areas

Excellence in everything we do
Make it easy to do
business with us

Excellence in everything we do
Collaborate with
partners

Excellence in everything we do
Optimize our supply
chain and production

Agenda Munters Capital Markets Update

Introduction

Strategy

Sustainability roadmap

Performance management

Business Areas

Q&A



Q&A

