



Munters

Q3 report 2021

Klas Forsström, President and CEO

Annette Kumlien, GVP and CFO

Agenda

Highlights Q3 2021

Implementation of strategy

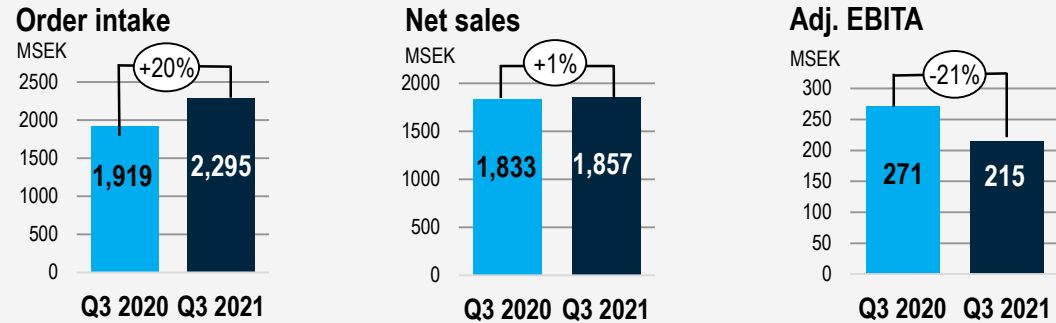
Q3 2021 financial highlights

Summary



Strong order intake and lower margin in Q3

Strong demand, stable net sales with lower margin



- Order intake FX-adj. +21%
 - Strong increase in prioritized areas - mainly Battery and Data Centers
- Net sales FX-adj. +3%
 - Increase in AirTech - Battery sub-segment and Services showed good development
 - Demand negatively impacted by weak swine market in China
- Adj. EBITA at MSEK 215 (271), EBITA-margin 11.6% (14.8)
 - Margin decreased due to supply chain constraints, higher raw material prices, freight costs, changed business mix as well as the time lag of the impact of our price increases

Supply chain challenges to continue



- The supply chain constraints along with higher raw material prices and freight costs increases seen throughout Q2, continued to impact our business during Q3
- We now expect supply chain challenges to continue throughout the first half of 2022

Strategy implementation



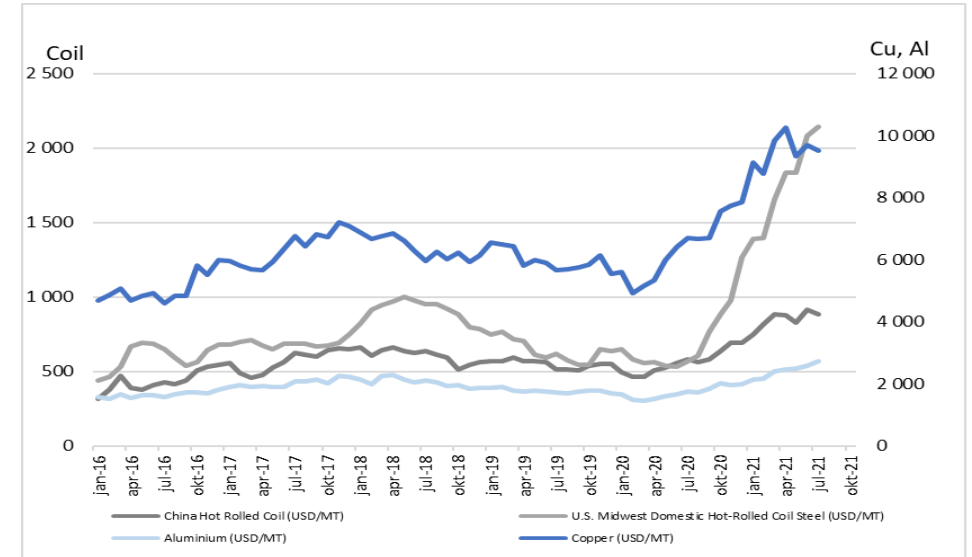
- AirTech: Larger Battery and Data Center project wins further strengthen our market and technology position, and increase our potential aftermarket services sales
- FoodTech: Focus on climate and digital solutions

Supply chain challenges and improved internal efficiencies

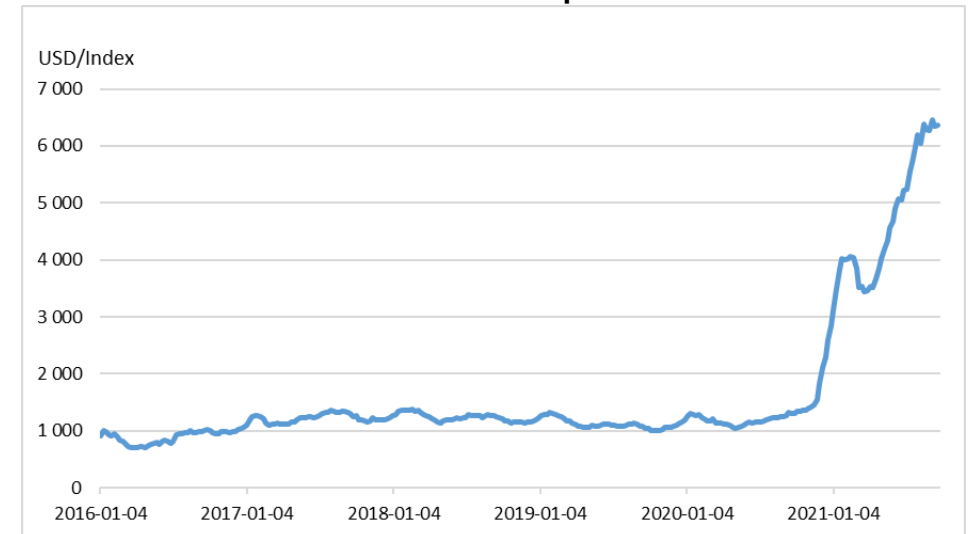
- Supply chain constraints, higher raw material prices and freight cost increases seen throughout Q2 continued to impact our business during Q3
- Most of our consecutive price increases implemented 2021 will come into effect next year due to the order backlog and extended lead times
- Positive impact from high utilization rates and efficiency improvements

In Q2 we predicted the supply chain challenges to remain in the second half of 2021 and we now expect this challenge to continue throughout the first half of 2022

Raw material price development since 2016



Container rate development since 2016



Order intake Q3 – Good development in EMEA and Americas

Americas

- AirTech - growth driven by Data Centers with strong demand from co-location operators
- FoodTech – strong growth in Dairy, Greenhouse and Swine segments

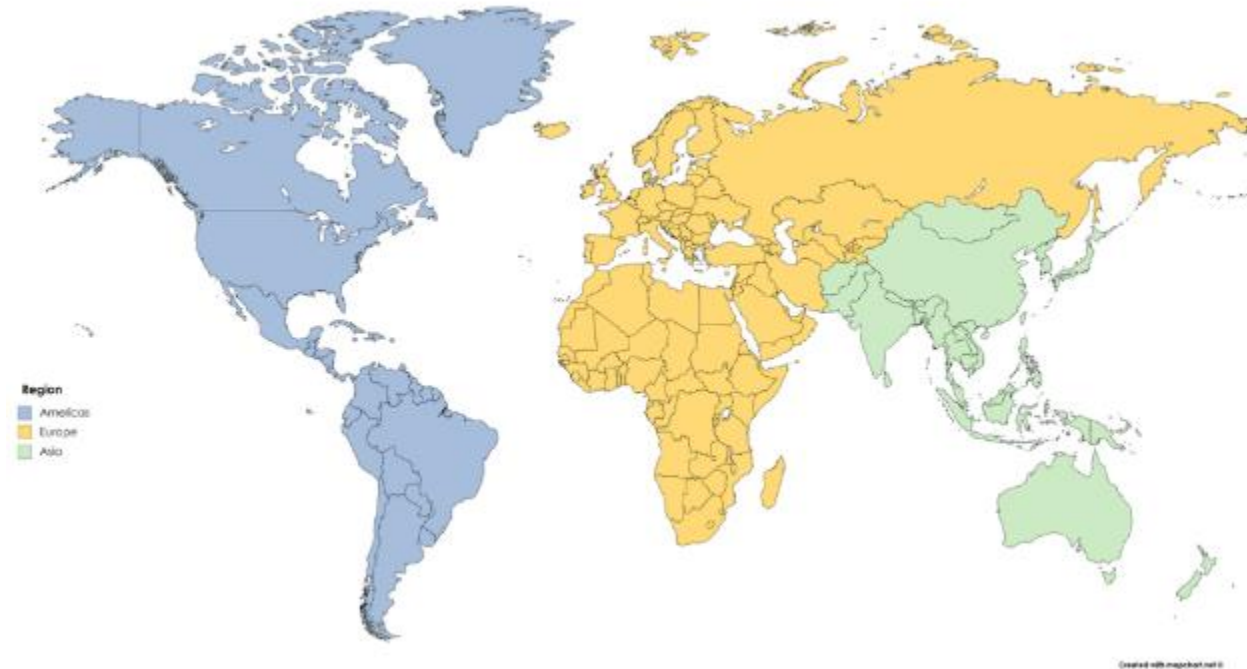
EMEA

- AirTech – strong development driven by Battery sub-segment
- FoodTech – good growth driven mainly by controllers to the US broiler segment










APAC

- AirTech – strong growth driven by Battery sub-segment. Services especially strong growth
- FoodTech – negatively impacted by weak swine market in China due to overcapacity and outbreak of ASF. Growth in other APAC markets

Regional split	Americas	EMEA	APAC
Share of total order intake	44%	32%	23%
Y/Y change in %*	21%	33%	3%
Y/Y FX-adj. change in %	25%	33%	2%



Market trends during Q3 – AirTech

Customer segment	% order intake Q1-3 2021	Market Trends	Comments
Industrial	48%		Battery segment strong growth; other segments solid development
...whereof Battery	20%		Continued rapid growth across all regions, with APAC in the lead Growth will come in waves as battery producers step up to meet demand
...whereof Food processing	7%		Slow during the first phases of the pandemic, but picking up
...whereof Other	21%		Solid underlying industrial markets performance, though Pharma pandemic boost tapering off
Data Centers	13%		Continued increasing demand from Hyperscalers and Co-Location operators
Components*	12%		Strong demand from primary end markets Data Centers and Battery
Mist Elimination	6%		Power segment and Marine relatively weak, however positive trajectory in Process
Commercial	4%		Solid replenishment market for Supermarkets
Services	17%		Growing of installed base and increasing interest in energy upgrades, etc

* Dehumidification rotors and humidification pads sold through OEM channels

Scandinavian lithium battery laboratory project

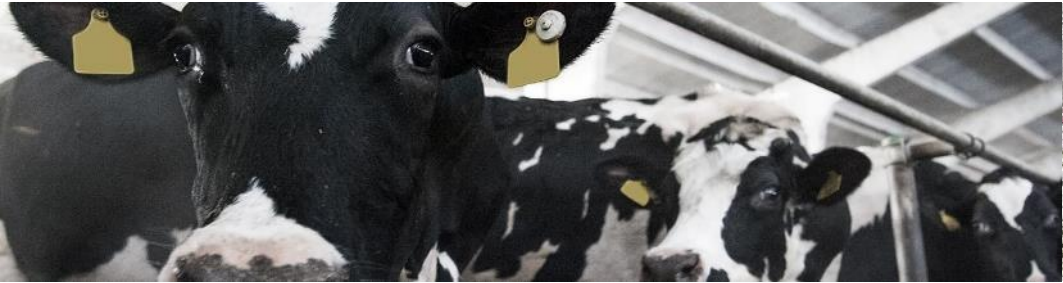
- Munters signs strategic turnkey project to design and build a full-scale laboratory for lithium batteries in Scandinavia
- Lithium battery production requires a highly controlled environment with stable temperature and humidity
- A controlled climate guarantees high quality in the end-product and safety in production
- The project will be delivered over the coming six months and the order value is estimated to MSEK 84

Munters is a clear leader in complete climate solutions for production of the world's lithium batteries



Market trends during Q3 – FoodTech

Customer segment	% order intake Q1-3 2021	Market Trends	Comments
Broiler	~50%	→	Stable demand in all markets
Swine	~25%	↘	Weak development in China, improving in Americas
Layer	~15%	→	Good development in Americas
Greenhouse	~5%	↗	Growth driven by increased demand
Dairy	~5%	↗	Good milk prices continue to support American investments



An affordable, easy-to-use and high-performing heat recovery solution

Benefits of Munters Heat exchanger:

- No filtration required - no costs and pressure losses due to preliminary filtration
- Self-cleaning functionality
- Easy access for service - no risk of contamination or hygienic issues
- Up to 85% efficiency of heat recovery
- No condensation and water waste



“It has been important for us to choose a heat exchanger that is operationally reliable and easy to maintain”, says Axel Månsson, a leading Danish producer of organic vegetables and eggs, who chose Munters cutting-edge Heat-X Rotate air-air heat exchanger.

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Strategic priorities



Strategic priorities:

	Focus areas
Customers	Improve go-to-market models and pricing strategies
Innovation	Focus investments in R&D and product portfolio alignment and adjustment
Markets	Growing in prioritized markets and strengthen Services
Excellence in everything we do	Continuous improvements, lean activities in complete value chain, manufacturing footprint and working capital
People	Leadership and competence development in line with strategic priorities

Delivery on our long-term strategy

AirTech: Growth in larger projects & prioritized markets



- Larger Battery and Data Center project wins further strengthen our market and technology position and also increase our potential aftermarket services sales
- Mist Elimination to become Clean Technologies; increase focus on renewables in both energy generation and fuels
- Investments in our digital journey continue to build a stronger business

FoodTech: Taking the next steps

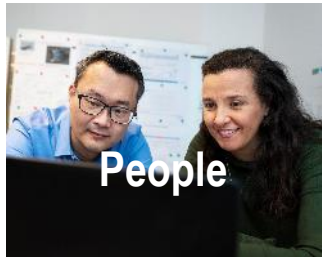


- Digital solutions: accelerating growth in IoT and SaaS solutions by leveraging current strong market position
- Climate solutions: focus on increasing value based selling, strengthening market position for equipment by continued innovation, product rationalizations and efficiency improvements

Target to reduce product assortment by 40% achieved

Continuous strong focus on sustainability

Progress during third quarter 2021



Joined UN Global Compact Gender Equality initiatives

New leadership program launched

Sustainability training on Scope 1, Scope 2 and Scope 3 CO₂ emissions held for top 50 managers.

Additional initiative launched to reduce CO₂ emissions in factories initiated

Sustainability objectives and activities continuously integrated in strategy framework.

Preparation for EU Taxonomy reporting in progress

Grete Solvang Stoltz New Group Vice President HR and Sustainability



Grete Solvang Stoltz, currently Senior Vice President Human Resources and Sustainability at LKAB, will join the Munters' management team as Group Vice President HR and Sustainability.

Grete Solvang Stoltz has extensive experience in running global strategic programs with a focus on corporate culture as well as organizational and sustainable development. She has previously held a number of highly qualified HR positions at LKAB and SCA.

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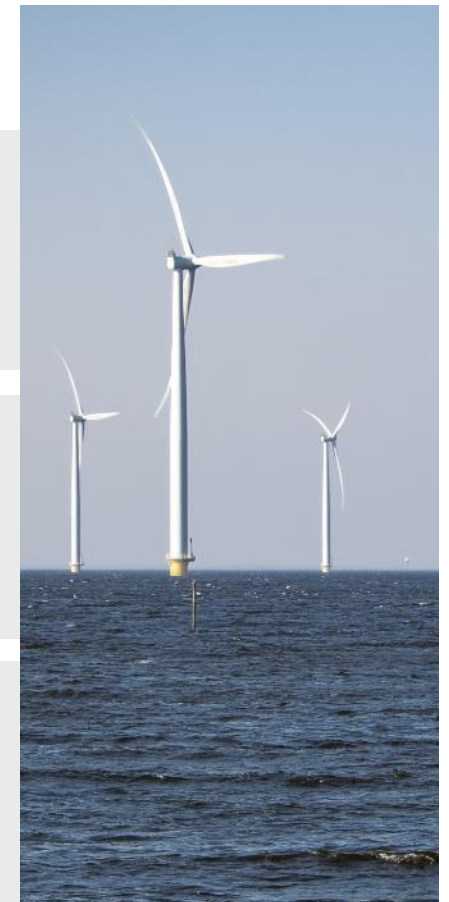
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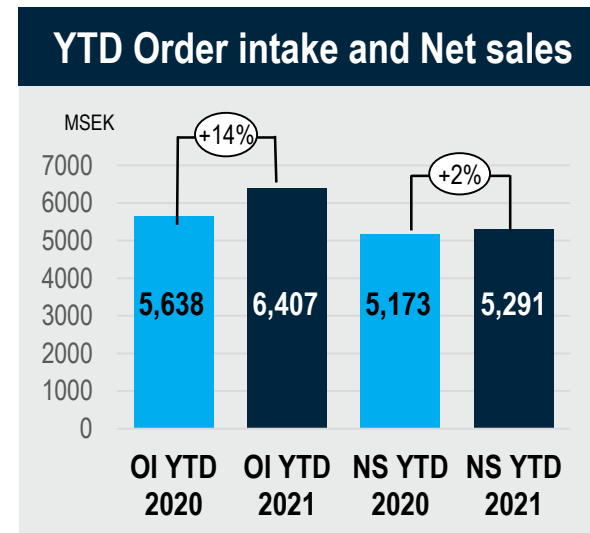
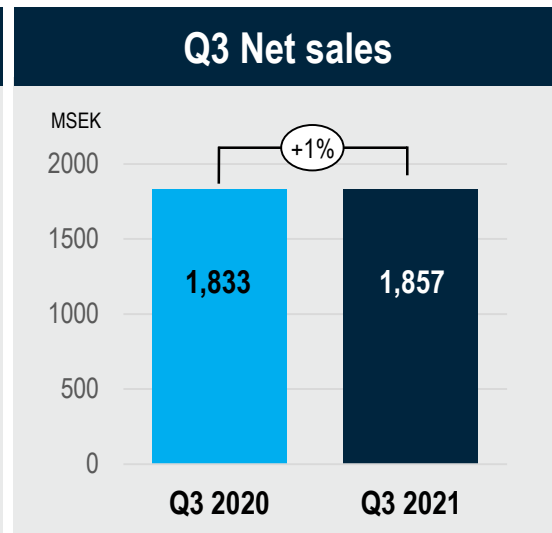
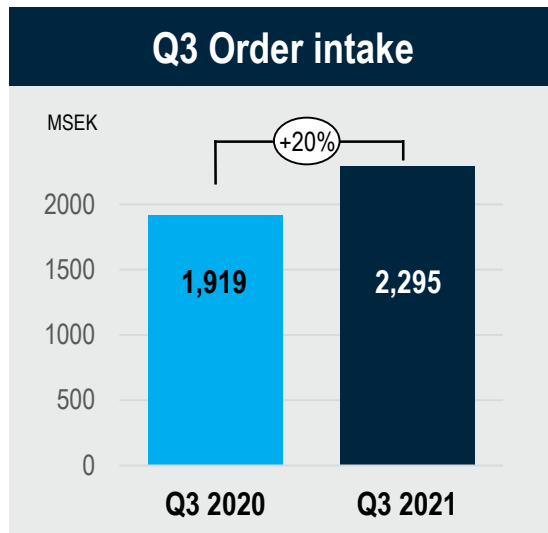
Update on financial targets

	Mid-term targets	Q3 2020	Q3 2021	YTD 2020	YTD 2021
1 Net sales growth Org. growth p.a. over a business cycle	5%	8%	3%	-2%	10%
2 Adjusted EBITA-margin	14%	14.8%	11.6%	12.8%	12.7%
3 Capital structure (LTM*) (Leverage: Net debt / adj. EBITDA)	1.5x-2.5x	n.a.	n.a.	2.7x	2.2x

*LTM = Last Twelve Months



Group: Strong order intake - flat net sales



Order intake, Q3: +20%, FX-adjusted +21%

- Strong growth mainly driven by large Battery and Data Center project wins in AirTech
- FoodTech showed good growth in Americas and EMEA, offset by weak swine market in China.

Net sales, Q3: +1%, FX-adjusted +3%

- Increase in AirTech - Battery sub-segment and Services showed good development
 - Services 15% of total net sales
- Offset by weak swine market in China for FoodTech

Order intake, YTD: +14%, FX-adjusted +21%, Book-to-Bill 1.2

- Good demand in Battery and Data Centers throughout the year
- Chinese market for FoodTech increasingly challenging, while Americas showed good progress

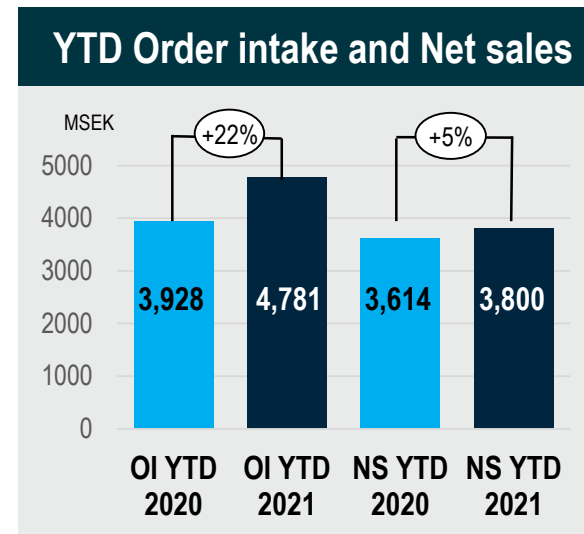
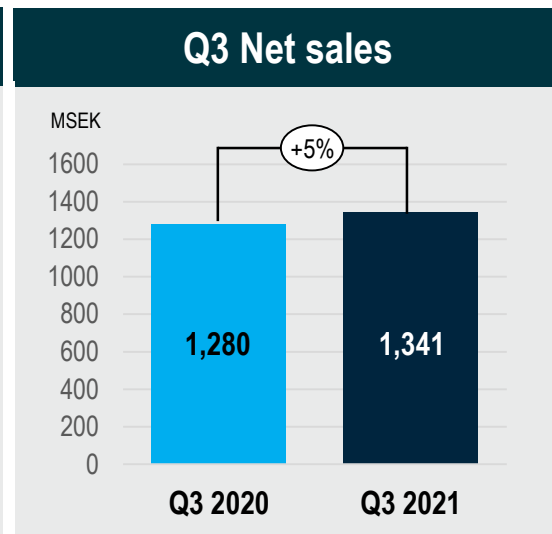
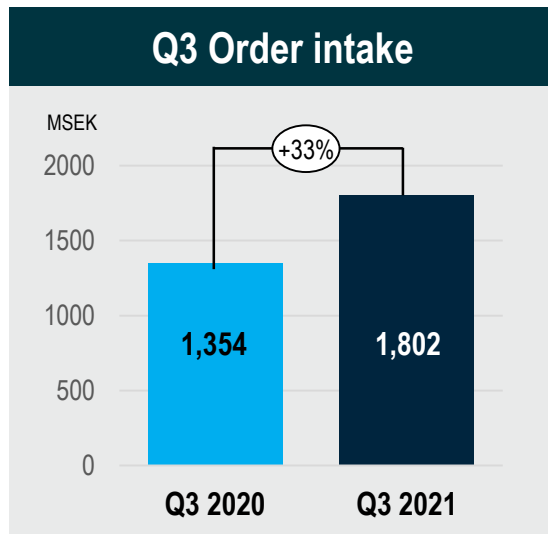
Net Sales, YTD: +2%, FX-adjusted +10%

- Stable development in AirTech, increasing share of large orders and services
 - Services 14% of total net sales
- Stable development in FoodTech, hit by weak Chinese market in Q3

Order backlog, YTD: +32%, FX-adjusted +34%

- Exceptional increase due to high order intake and extended lead times

AirTech: Strong growth driven by Battery and Data Centers



Order intake, Q3: +33%, FX-adjusted +36%

- Strong growth mainly driven by large Battery and Data Center project wins
 - Also good development for OEM sales
- Good growth for Services in all regions driven by the growing installed base and increased demand for upgrades

Net sales, Q3: +5%, FX-adjusted +7%

- Growth driven mainly by Battery sub-segment
- Pharma sub-segment showed good growth in the US, driven by Covid-19
- Mist Elimination and Data Centers declined
- Services grew overall – now 21% of AirTech net sales

Order intake, YTD: +22%, FX-adjusted +31%, Book-to-bill 1.3

- Strong development in Battery and Data Centers throughout the year
 - Impacting business mix - more larger projects
- Services grew – the larger projects increase potential aftermarket sales

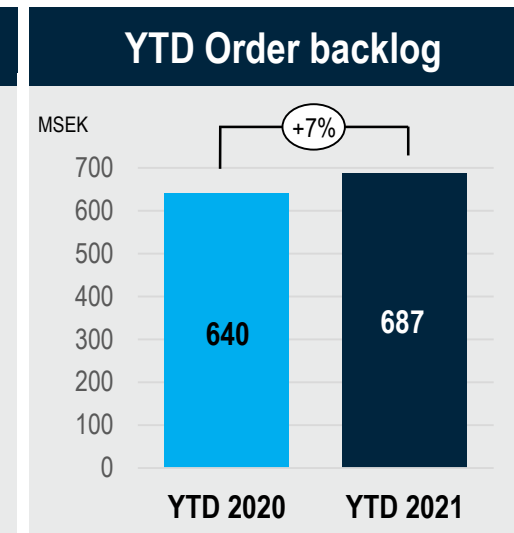
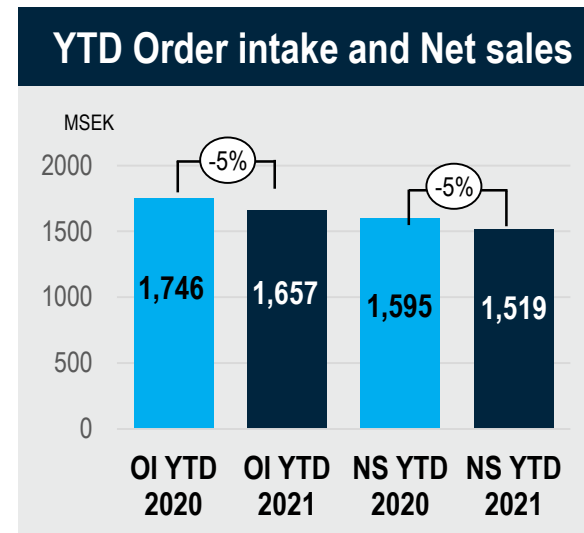
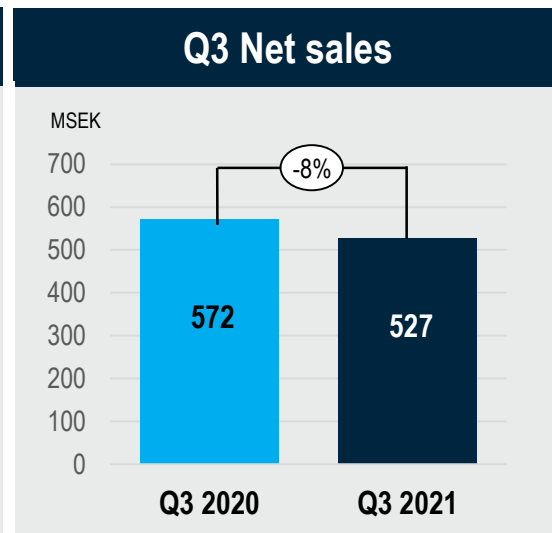
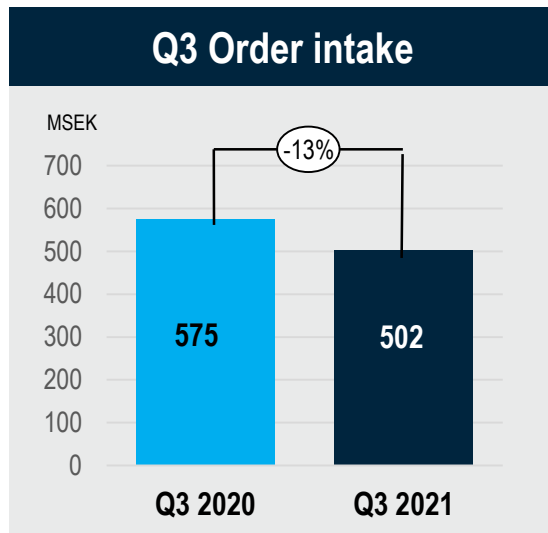
Net Sales, YTD: +5%, FX-adjusted +13%

- Sales mainly driven by larger Battery projects
- Pandemic effects impacted Pharma sales positively
- Services now 20% of AirTech net sales

Order backlog, YTD: +40%, FX-adjusted +43%

- Exceptional increase due to high order intake, extended lead times and customers' requests to delay deliveries

FoodTech: Impacted by weak swine market in China



Order intake, Q3: -13%, FX-adjusted -13%

- Demand in APAC negatively impacted by weak swine market in China
- Americas grew in the Dairy, Greenhouse and Swine sub-segments
- EMEA positively impacted by good growth for controllers to the US

Net sales, Q3: -8%, FX-adjusted -8%

- Sales declined due to the weak swine market in China
 - Chinese swine market challenged by overcapacity and outbreaks of ASF
 - Comparison with previous year impacted by the strong Chinese swine market in 2020
- Americas showed strong development in all sub-segments
- EMEA below 2020 mainly due to the weaker Chinese sales, excluding this effect EMEA was in line with previous year

Order Intake, YTD: -5%, FX-adjusted +1%, Book-to-bill 1.1

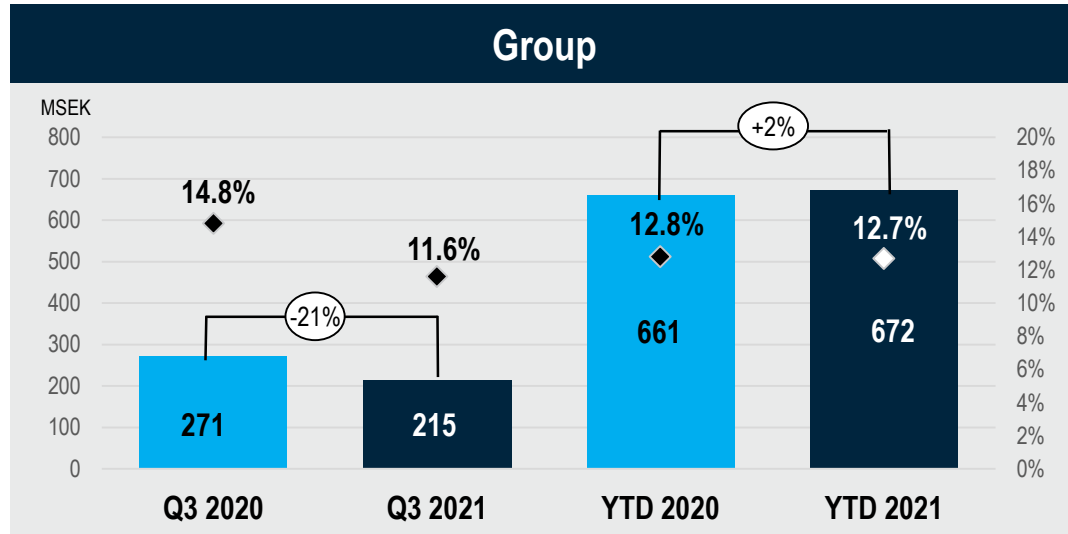
- APAC order intake weak, negatively impacted by the Chinese swine market
- Americas grew in all segments, mainly driven by the Broiler, Layer and Dairy sub-segments in the US
- EMEA grew driven mainly by increased orders for controllers

Net Sales, YTD: -5%, FX-adjusted +1%

- Good growth from all segments in Americas both in the digital and equipment businesses, offset by the decline in China

Order backlog, YTD: +7%, FX-adjusted +8%

Decreased EBITA-margin in Q3 and stable YTD

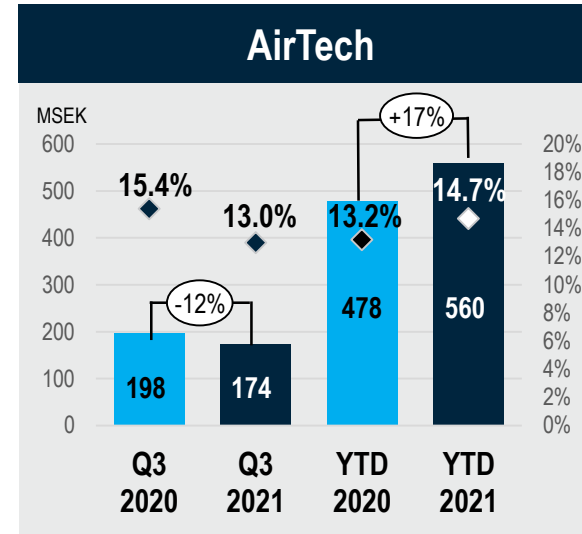


Adjusted EBITA, Q3: margin impacted by supply chain challenges

- Negative impact from supply chain constraints, higher raw material prices, freight costs and changed business mix
- Additional price increases implemented in Q3 – which mostly will come into effect in 2022

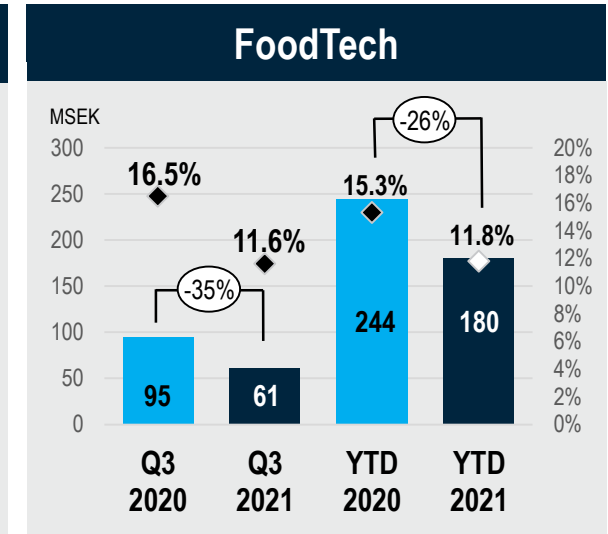
Adjusted EBITA, YTD: stable margin as year started strong

- Strong start offset by supply chain challenges impact particularly in Q3
- Negative impact from supply chain challenges started in Q2
- Consecutive price increases made during the year mainly coming into effect in 2022
- High utilization rates in AirTech
- FoodTech margins negatively impacted by soft swine segment in China



AirTech: margin decreased Q3, margin improved YTD

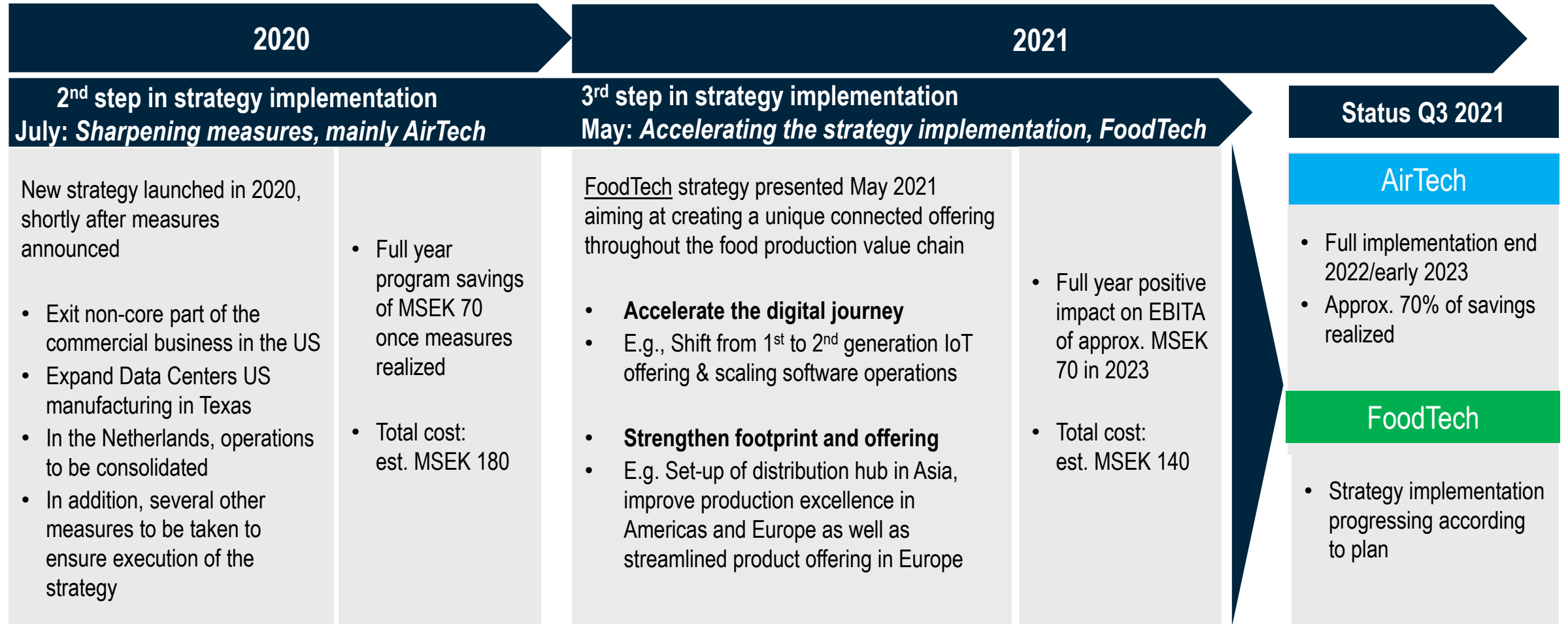
- Q3: margin decreased due to supply chain challenges, increased raw material prices, freight costs and changed business mix with more large projects
- YTD: margin improved because of increased net sales, high utilization rates and efficiency improvements, partly offset by the challenges in Q3
- Most of price increases will come into effect in 2022



FoodTech: weakened margin Q3 and YTD

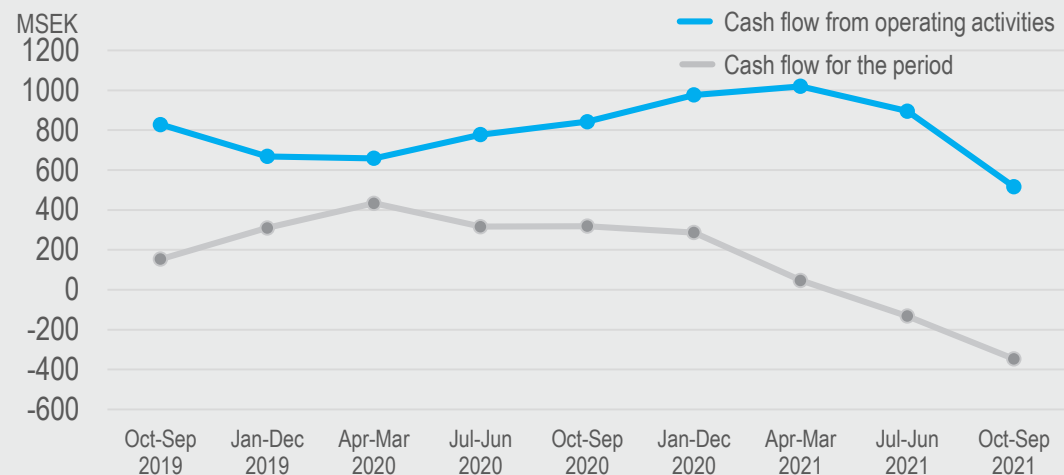
- Margin decreased Q3 and YTD due to supply chain constraints, increased raw material prices and freight costs, and lower volumes in China
- Most of the price increases will come into effect in 2022

Delivering on our strategic journey



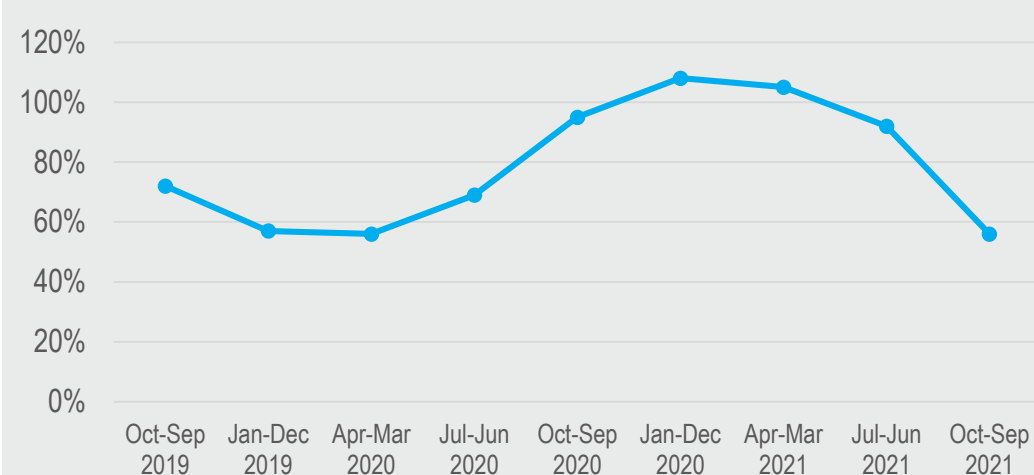
Cash flow impacted by supply chain challenges

Cash flow development, LTM*



- Cash flow from operations negatively impacted by increased working capital caused by good demand, supply chain challenges and business mix
 - Increase in working capital Q3 of MSEK -308 (6) mainly relates to less advances from customers, increased inventory and lower accounts payables
 - Increase in working capital YTD of MSEK -407 (22) mainly relates to increased inventory and receivables as well as lower advances from customers

Cash conversion LTM (OCF**/Adj. EBITA)

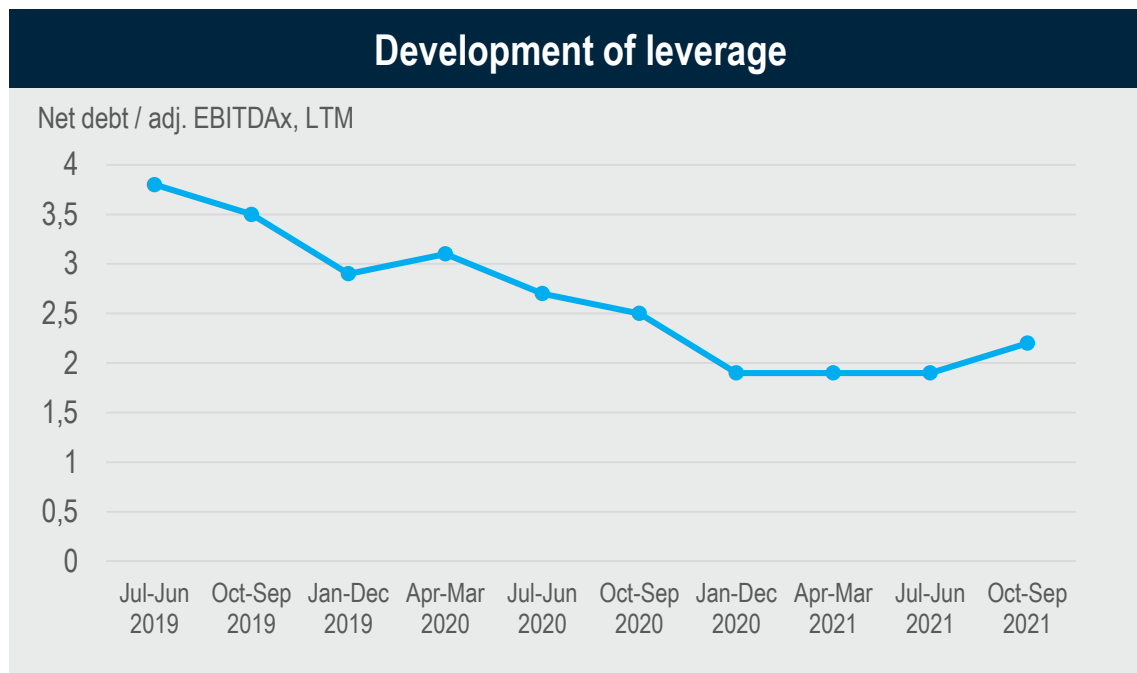


- Cash conversion negatively impacted by increased working capital

*LTM = Last Twelve Months
Cash flow development includes discontinued operations

**Operating cash flow

Leverage in line with mid-term financial target range



- The leverage ratio end of September was 2.2x - an increase from 1.9x end of June 2021 and year end 2020. The increase was mainly due to as earlier described increased working capital and to a lesser extent FX impact on gross debt
 - Net debt at the end of September amounted to MSEK 2,536 compared to MSEK 2,209 at the end of June 2021

* Loan Market Association

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Continued strong demand in Q3 in prioritized areas

Strong demand



- Increase mainly driven by strong growth in AirTech within mainly Battery and Data Centers
- The margin decreased due to supply chain constraints, higher raw material prices and freight costs as well as changed business mix

Supply chain challenges to continue



- The supply chain constraints, higher raw material prices and freight cost increases seen throughout Q2 continued to impact our business during Q3
- We now expect supply chain challenges to continue throughout the first half of 2022

Strategy execution



Execution of long-term strategy continued:

- AirTech: Larger Battery and Data Center project wins further strengthen our market and technology position, and increase our potential aftermarket services sales
- FoodTech: Focus on climate and digital solutions

Questions & Answers