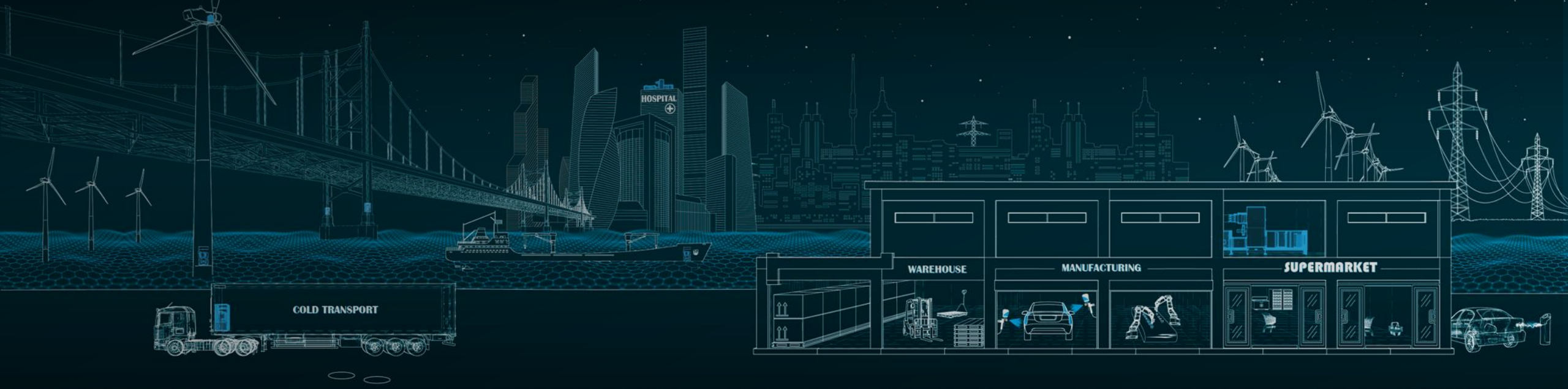


# MUNTERS FOURTH QUARTER 2018

*Munters towards full potential*



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# Agenda

Munters Full Potential Program

Q4 and Full Year 2018 results

# Starting point

- Munters has **attractive fundamentals**, strong technology base, great people, deep application knowledge and leading market positions
- **Strong underlying long-term demand** and profitable growth opportunities in key segments

## *However...*

- Munters has **not delivered according to plan** since IPO
- **Growth** has been **adequate** – but not generating sufficient earnings mainly due to **weak performance in Data Centers**



Munters' customer and investor proposition has significant potential  
– Today we present our plan forward

**Guiding principles for taking Munters to full potential**

Focus on attractive markets

Focus on attractive product applications

Focus on customer value

Business mindedness in everything we do

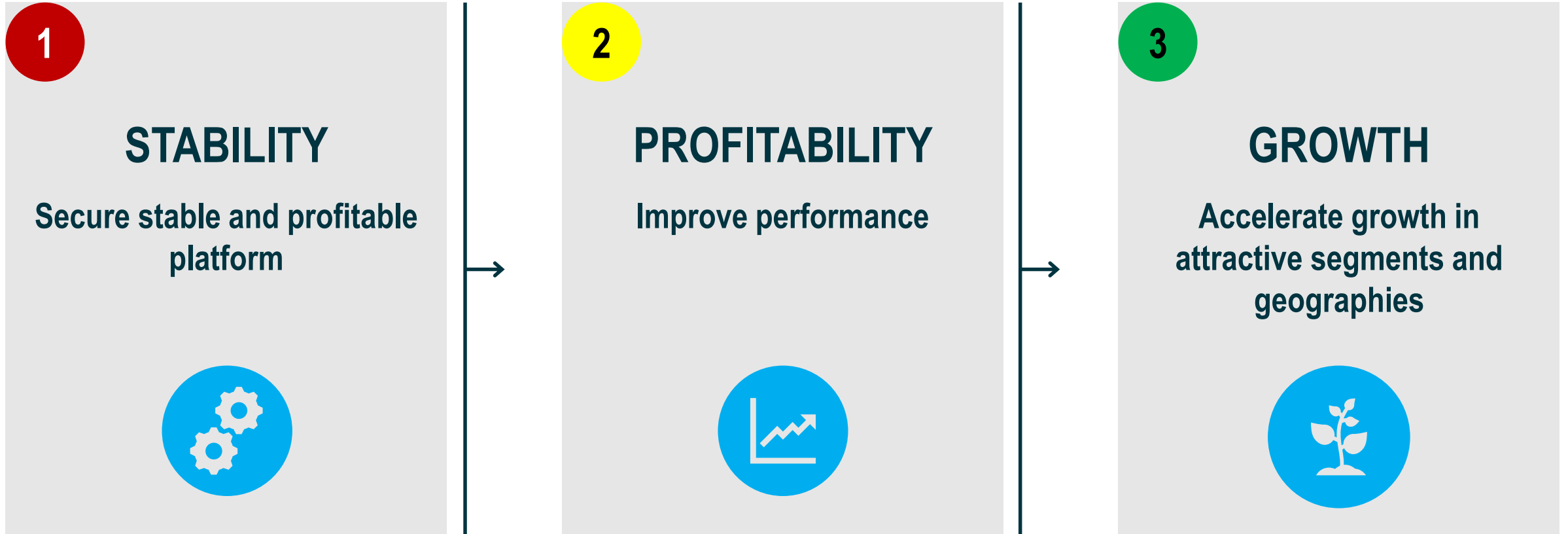
Simpler and leaner structures

Decentralization

Stronger Business Areas

Performance culture

# Munters Full Potential Program launched



# Secure a stable and profitable platform

## STABILITY

Secure stable  
and profitable  
platform



**A** Strengthen **leadership team**

**B** **Simplify** Munters structure into **two decentralized Business Areas**

**C** Drive **leaner structures** and cash efficiency

**D** Drive **Data Center** performance uplift through focus towards **US market**



## Strengthen leadership team

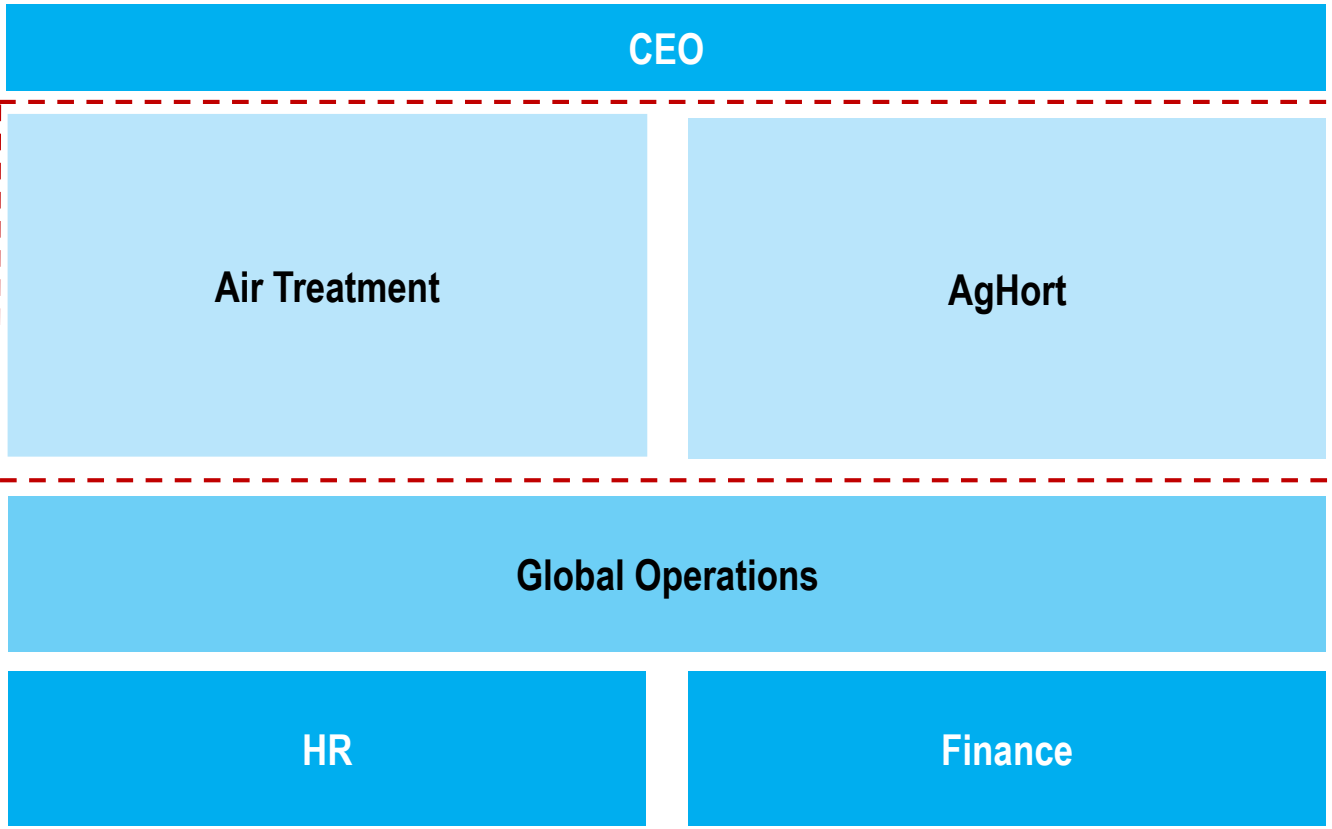
- New **Chairman** of the Board, **Magnus Lindquist**
- New Interim **CEO**, **Johan Ek**. Recruitment of permanent CEO initiated
- **Peter Lindquist** appointed interim **President Air Treatment**, replacing Scott Haynes from February 13<sup>th</sup> 2019

...while maintaining **continuity** with other **key management members** such as **Katarina Lindström**, President Operations, **Peter Gisel-Ekdahl**, President AgHort and **Sofia Gellar**, Vice President HR

**Jonas Ågrup**, **CFO**, will leave Munters by end of 2019. Recruitment of new CFO initiated.



# Simplified organization with strengthened Business Areas

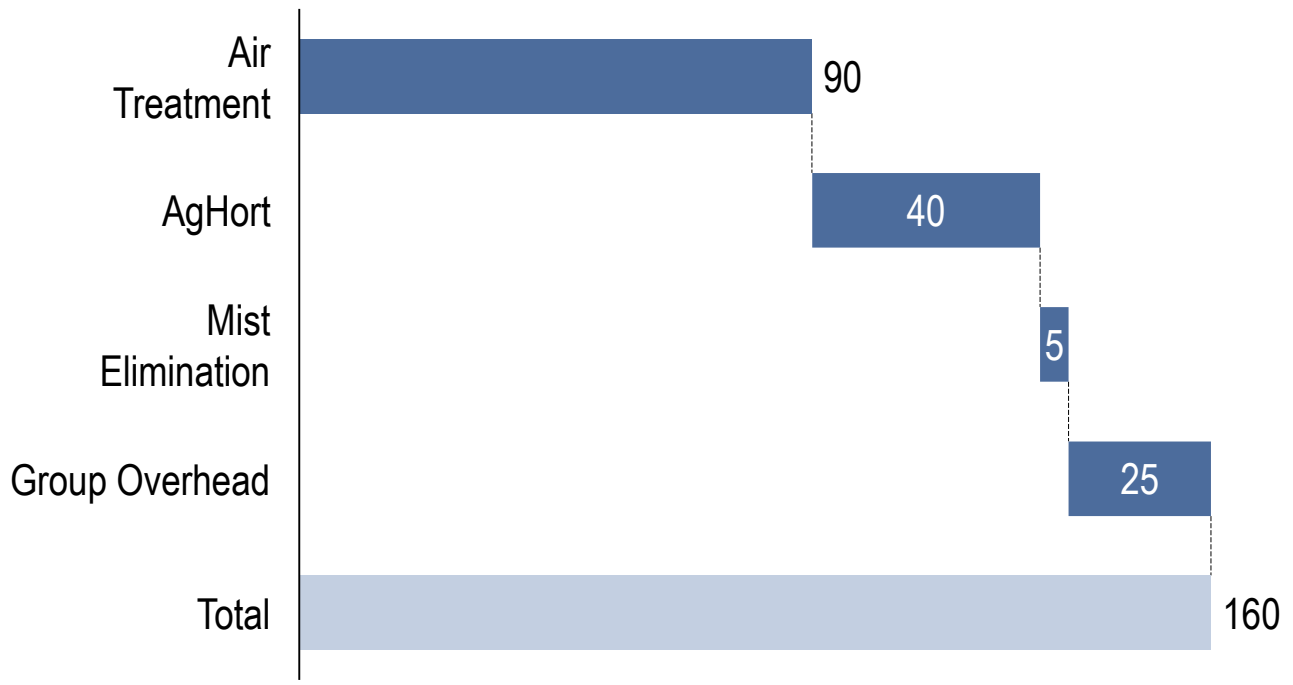


- Two strong Business Areas (Mist Elimination and Data Center merged into AirT)
- **Transparency** and **accountability**
- **Decentralized** decision-making
- Business Areas to be renamed during Q1 2019
- Group Management reduced from 13 to 6 members
- New organization effective as of February 13



# Drive leaner structures and cash efficiency – resulting in SEKm 160 cost savings, excluding Data Centers savings

Run-rate Overhead cost savings end of Q4 2019 (SEKm)



- Implement **Leaner structures** in Business Areas
- Drive **FTE efficiency** across Selling, R&D and Administration in Business Areas and Operations
- **Scale down group functions**
- **Reduce external spend** in eg. logistics
- **Reduce Working Capital**

*Data Center savings presented on next page and are not included in the SEKm 160 performance uplift*



# Data Center performance uplift through shifting business focus towards US operations – resulting in SEKm 50 profit improvement

## Weak Data Center earnings development

- High Net Sales growth over the last years – but the **earnings have been poor**
- **Operational challenges** combined with increasingly **challenging market conditions**, especially in Europe
- Limited opportunity to realize adequate profitability with the current set-up

## Focus on more profitable US market

- **Focus primarily on the US market** from US operations where there is a solid and long-standing customer base
- As a consequence, Munters intention is to close the **factory in Dison, Belgium\***.
- Continued investments in R&D
- Current product portfolio will be further developed and products will also be offered in Europe and APAC

\*Subject to information and consultation with the relevant employee representative bodies.



## Combined initiatives expected to deliver SEKm 210 annualized profit improvement

Program	2019 adj. EBITA impact	2020 adj. EBITA impact – equals ongoing annual run-rate	One-time costs	Cash pay-back time
<b>Total program impact</b>	<b>SEKm +105</b>	<b>SEKm +210</b>	<b>SEKm -350 costs</b> (60% during H1 and 40% during H2 2019)	Approx. 2 years

*Timing and ultimate cost of program may vary from current estimates based on final timetable and subject to information and consultation with the relevant employee representative bodies.*

- Our program anticipates Data Centers back into profits (adjusted EBITA) by 2020
- This includes SEKm -600 of Data Centers revenue drop due to focus on US (approx. 80% of SEKm -600 revenue drop in 2019)



# Improve performance

## PROFITABILITY

Improve  
performance



- A. Actively drive **business mix** towards most attractive applications
- B. Focused Product Development to create **higher value for customers**
- C. Drive **continuous improvements** to fine tune Business Area organizations and manufacturing footprint
- D. Further improve go-to-market models and **pricing practices**
- E. Drive **cost of goods savings** through product design cost-outs and material purchasing practices



# Accelerate growth in attractive segments and geographies

## GROWTH

Accelerate growth in attractive segments and geographies



- A. Focus on **fast growing** segments and geographies with **leading Munters positions**
  - Continued roll-out of **service offering**
  - Lithium Battery, Food and Pharma
  - Poultry and Greenhouse equipment and Software
  - Increased focus on **emerging markets (APAC)** across businesses
  
- B. Drive **digitalization** of offering
  - SonarEcho in AgHort to connect farms and optimize food chain
  - Munters Connected Climate for Air Treatment customers
  - Go-to-market model and internal processes
  
- C. Execute **selective M&A** to accelerate growth

# Munters Full Potential Program provides clear path to reaching updated mid-term financial targets



- Revised Organic **Net Sales** growth of **5%** (previously 7-10%) **Updated**
- Adjusted **EBITA** Margin of **14%**
- **Net Debt** to Adjusted EBITDA of **1.5x to 2.5x**
- **Dividend** corresponding to **30–50%** of net income after tax for the period

# Agenda

Munters Full Potential Program

Q4 and Full Year 2018 results

# Full year 2018 – summary

SEKm	Q4			Jan-Dec		
	2018	2017	Δ	2018	2017	Δ
Order backlog	2,317	2,365	-2%	2,317	2,365	-2%
Order intake	1,753	1,821	-4%	6,914	7,197	-4%
Net sales	1,834	1,811	+1%	7,122	6,604	+8%
Operating profit	-256	127	-383	134	453	-319
Adj. EBITA	154	174	-11%	676	675	+0%
Adj. EBITA margin	8.4%	9.6%		9.5%	10.2%	
Net income	-321	152	-473	-94	173	-267
Cash flow from operating activities	441	-8	448	441	235	206

- Order intake decreased 4%. Excluding Data Centers, order intake increased by 5%
- Net sales increased 8%. Excluding Data Centers, net sales increased by 6%
- Adjusted EBITA at same level as last year SEKm 676 (675), corresponding to an adjusted EBITA margin of 9.5% (10.2). Excluding Data Centers, Group Adj. EBITA increased by 8%
- SEKm -323 write-down of goodwill in Data Centers.
- Improved Cash Flow at SEKm 441 (235)
- Board of Directors proposes that no dividend be paid for 2018



# Q4 financial key points

Order intake decreased by 4% due to lower order intake in Data Centers. Q4 2017 included SEKm 450 DC order

Net sales increased by 1% with growth in all Business Areas except in Data Centers

Adjusted EBITA was lower than last year, impacted by significant loss in Data Centers.

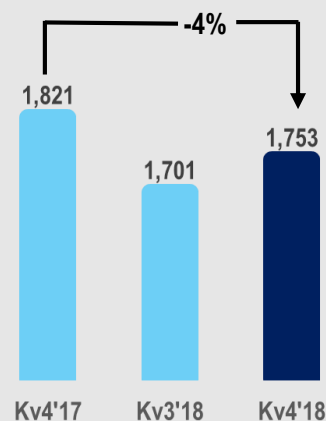
Net income, including Data Center Goodwill write down of SEKm -323, was SEKm -321 (152)

Improved Cash flow from operating activities, SEKm 441 (-8)

## Order intake

SEKm

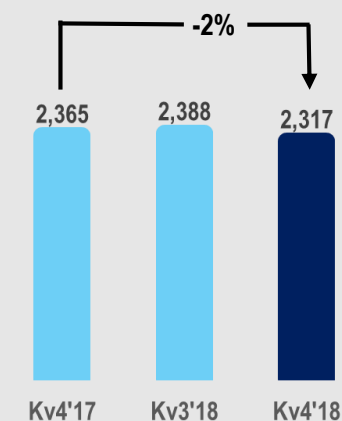
**1,753**



## Backlog

SEKm

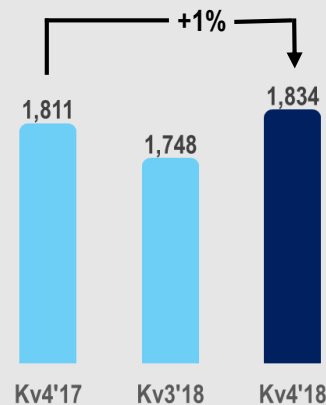
**2,317**



## Net sales

SEKm

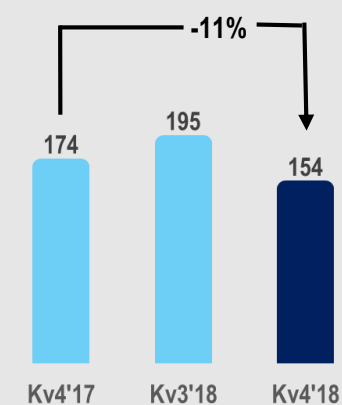
**1,834**



## Adj. EBITA

SEKm

**154**



## Q4 2018 in Air Treatment – strong finish of the year

- Order intake increased by 14%. Large orders won in the Lithium segment in China (SEKm 120). Solid order intake also in Food (US) and Services
- Net sales increased by 8%. Organically, net sales increased slightly driven by Industrial and Services partly offset by a decline in Supermarkets
- Adjusted EBITA increased by 25%, mainly due to efficiency improvements in the Mexican production facility and a favorable product mix

SEKm	Q4			Jan-Dec		
	2018	2017	Δ%	2018	2017	Δ%
Order intake	979	862	14	3,798	3,787	0
Net sales	1,064	988	8	3,752	3,588	5
Operating profit (EBIT)	176	129	36	496	511	-3
Adjusted EBITA	170	136	25	497	466	7
Adjusted EBITA margin, %	16.0	13.8		13.3	13.0	

## Q4 2018 in AgHort – continued growth but slightly lower margin

- Order intake increased by 15%, with growth in both Americas and Asia
- Net sales grew by 11% in the quarter, with majority of the growth in Americas and Asia
- Adjusted EBITA was slightly lower than last year, partly due product mix and investments in the software and digital offering

SEKm	Q4			Jan-Dec		
	2018	2017	Δ%	2018	2017	Δ%
Order intake	452	394	15	2,107	1,866	13
Net sales	497	450	11	2,018	1,837	10
Operating profit (EBIT)	53	51	5	244	225	8
Adjusted EBITA	49	52	-6	249	236	6
Adjusted EBITA margin, %	9.9	11.6		12.4	12.8	

## Q4 2018 in Data Centers – negative trend deepened in the quarter

- Order intake decreased in the quarter due to a decline in orders in Europe (SEKm 495 order intake in Europe in 2017 vs. SEKm 3 in 2018)
- Lower net sales due to low order intake and phasing of projects, particularly in Europe
- Earnings negatively impacted by lower volumes, particularly in Europe as well as provisions for losses on a large contract
- SEKm -323 write-down of goodwill in Data Centers

SEKm	Q4			Jan-Dec		
	2018	2017	Δ%	2018	2017	Δ%
Order intake	225	519	-57	660	1,261	-48
Net sales	173	288	-40	1,068	856	25
Operating profit (EBIT)	-427	-9		-440	-13	
Adjusted EBITA	-80	-8		-80	-9	
Adjusted EBITA margin, %	-46.0	-2.6		-7.5	-1.0	

# Q4 2018 in Mist Elimination – strong growth in sales and margins

- Order intake increased by 41% in the quarter. The growth was driven by Marine EGC (Emission Gas Cleaning), with flat development in Process and a minor decrease in the Power sub-segments
- Net sales increased by 17% due to increased volumes in the Marine and Process sub-segments, partially offset by low volume in the Power sub-segment for Coal FGD (Flue Gas Desulphurization) in China and US
- Adjusted EBITA increased to SEKm 22 (14), as a result of the increased revenue

SEKm	Q4			Jan-Dec		
	2018	2017	Δ%	2018	2017	Δ%
Order intake	117	83	41	445	394	13
Net sales	128	110	17	403	406	-1
Operating profit (EBIT)	22	14	62	52	34	52
Adjusted EBITA	22	15	45	52	36	44
Adjusted EBITA margin, %	16.8	13.5		12.9	8.9	

# Conclusions and outlook

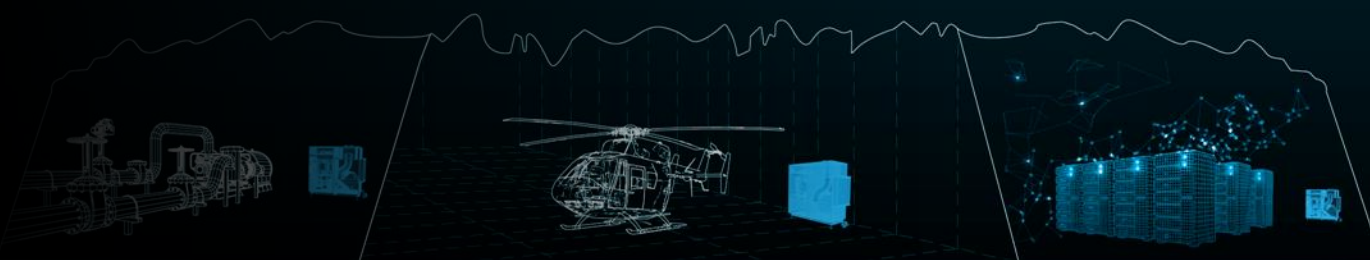
- Strong Q4 order intake in all business areas except Data Centers. Group earnings (adj. EBITA) impacted by significant loss in Data Centers.
- Lower Group adj. EBITA expected in Q1 2019 year on year due to loss in Data Centers



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## Munters Full Potential Program launched

- 1 Secure stable and profitable platform
  - 2 Improve performance
  - 3 Accelerate growth in attractive segments and geographies
- Strategic alternatives for Data Centers and Mist Elimination evaluated
  - Significantly improved Group adj. EBITA expected for full year 2019 with full impact from 2020 from Munters Full Potential Program
  - Firm path towards increased earnings over the following years towards achieving updated financial targets



# Questions & Answers