



MUNTERS

Year-end report 2019

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Agenda

Highlights Q4 2019

Q4 and January – December 2019 results

Strategic direction

Summary

2019 – Platform strengthened for the future

Action	<p>Launch of Munters Full Potential Program to improve Group earnings</p>	<p>New organizational structure with two business areas</p>	<p>Strategic review of Data Centers & Mist Elimination, close down of factory in Dison, Belgium</p>
Outcome	<p>Significantly reduced overhead costs</p>	<p>Simplified, leaner and more performance oriented</p>	<p>Good operational improvements & development in Data Centers US and Mist Elim.</p>



Stable demand in 2019

Americas:

- Strong order intake in Data Centers, US
- Order intake in commercial segment, US, strong in fourth quarter
- Continued low level of investments in swine farms, US, driven by overcapacity and uncertainty about the consequences from new trade tariffs and the African Swine Fever (ASF)

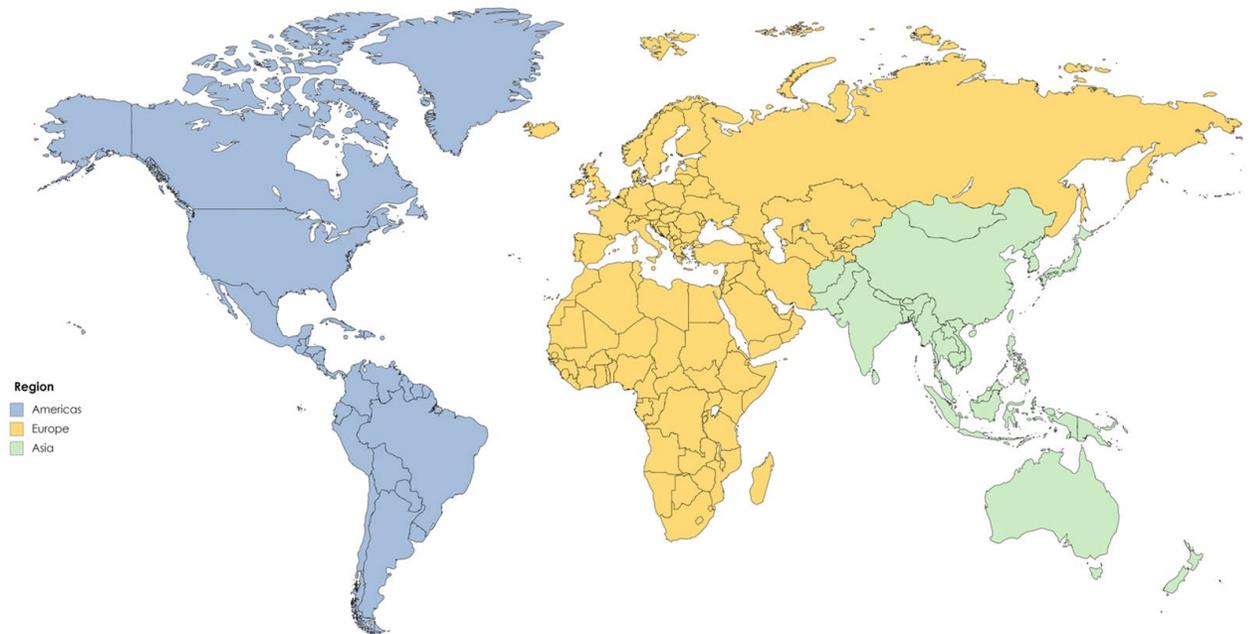
EMEA:

- Increased order intake for Services and Mist Elimination
- European industrial market weakening demand

Asia:

- Lower demand from lithium battery industry
- High demand from the poultry and layer segment
- Weak swine market due to the ASF and uncertainties about effects from trade tariffs

	Americas	EMEA	APAC
% of total order intake, 2019	43%	36%	22%
2019 change in % vs. 2018	6%	6%	-8%
Q4 2019 vs Q4 2018	15%	-9%	-17%



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2019 – Profitable growth and improved leverage

Q4 2019

- Net sales increased in AirTech; declined in FoodTech, despite good growth in Asia
- Adjusted EBITA margin slightly lower, on the back of a strong fourth quarter 2018, a changed product mix and temporarily higher labor costs in areas with good growth

Net sales +5% *

Adj. EBITA-margin 12.5% (12.8)

FY 2019

- Net sales growth driven by:
 - growth in Data Centers US, Mist Elimination and Services; offset by decrease in FoodTech
- Services grew by 8% organically; 13% of total net sales end of December
- The adjusted EBITA increased 20% driven primarily by cost savings from the FPP program
- Significantly improved cash flow from operating activities
- Net loss for the year, mainly resulting from charges for FPP-program
- The Board of Directors propose no dividend for 2019

Net sales +12% *

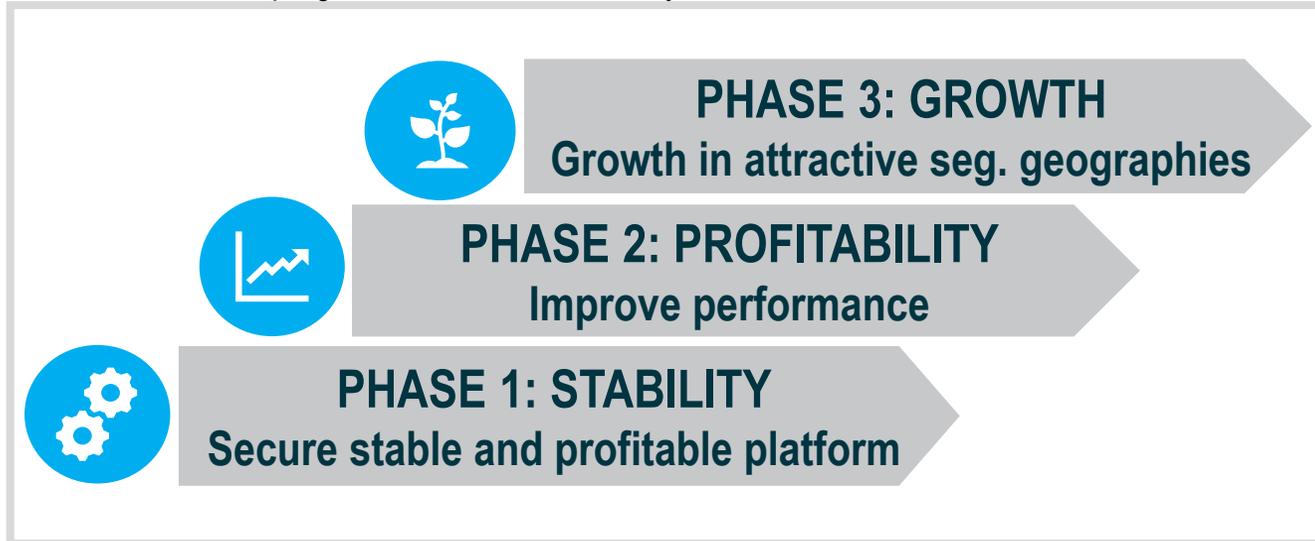
Adj. EBITA-margin 12.2% (11.3)

Leverage 2.9x (3.7)

*Financial numbers are actual reported numbers and not currency adjusted.

Moving in a new direction for Munters

Phases of the FPP-program launched in February 2019:



- Focus in 2019 has been to secure a stable and profitable platform, including an analysis of the current situation:
 - Incl. business mix, product development, manufacturing footprint, go-to-market models
- Strategic evaluation of Data Centers and Mist Elimination



- As of 2020, Munters strategic direction has been refined
- Focus in 2020: securing a stable and profitable platform, in parallel to continuous improvements and to accelerate growth

Solid opportunities for value creation in Data Centers US and Mist Elimination



*The decision was taken in 2019 to close down the Data Center factory in Dison, Belgium. This is now reported as discontinued operations in line with IFRS 5.

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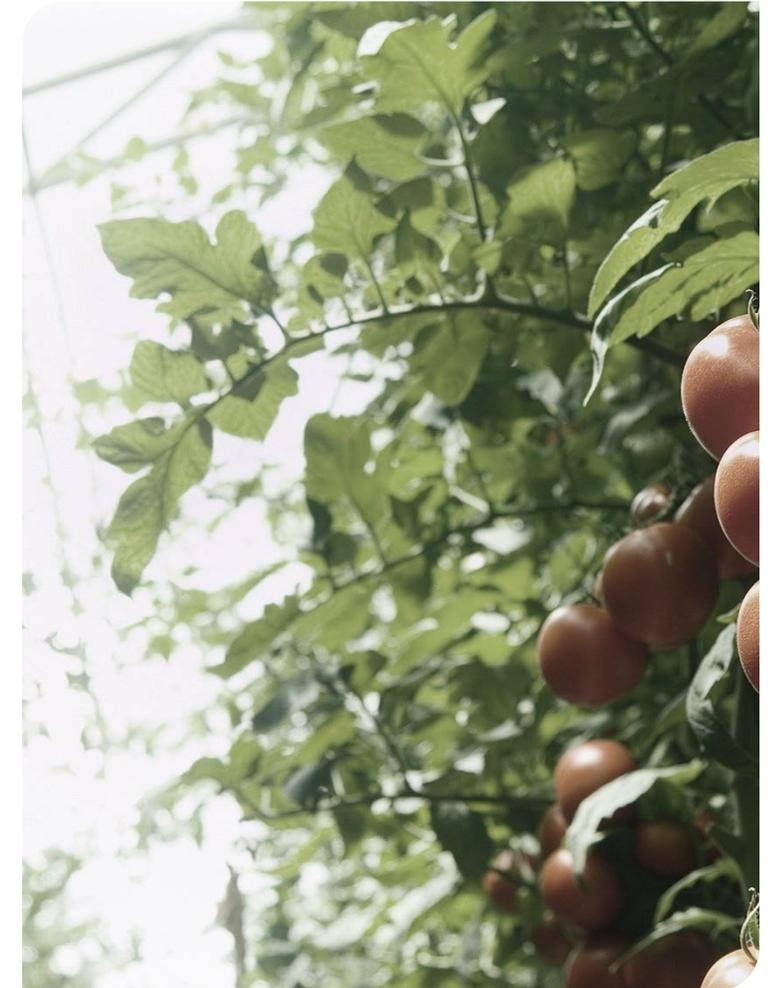
Q4 and January – December 2019 results

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Q4 and YE 2019 vs. Mid-term targets

	Mid-term targets	Q4 2019	YE 2019
1 Net sales growth Annual growth in organic net sales starting in 2019, supplemented with add-on acquisitions.	5%	-1%	6%
2 Adjusted EBITA-margin An adjusted EBITA-margin in the medium term.	14%	12.5%	12.2%
3 Capital structure A ratio of net debt to adjusted EBITDA, which may temporarily exceed this level (e.g. as a result of acquisitions.)	1.5x-2.5xx	2.9x	2.9x



Group: Stable demand 2019

Order intake

Q4:

- Mixed market demand in fourth quarter, order intake 6%, currency effects 6%

Full year:

- Order intake growth for the full year driven by Data Centers US, Mist Elimination and Services; partly offset by FoodTech
- Weaker market demand in industrials, swine market lower demand driven by overcapacity and uncertainty about the consequences from new trade tariffs and ASF, weak demand in lithium battery industry in China

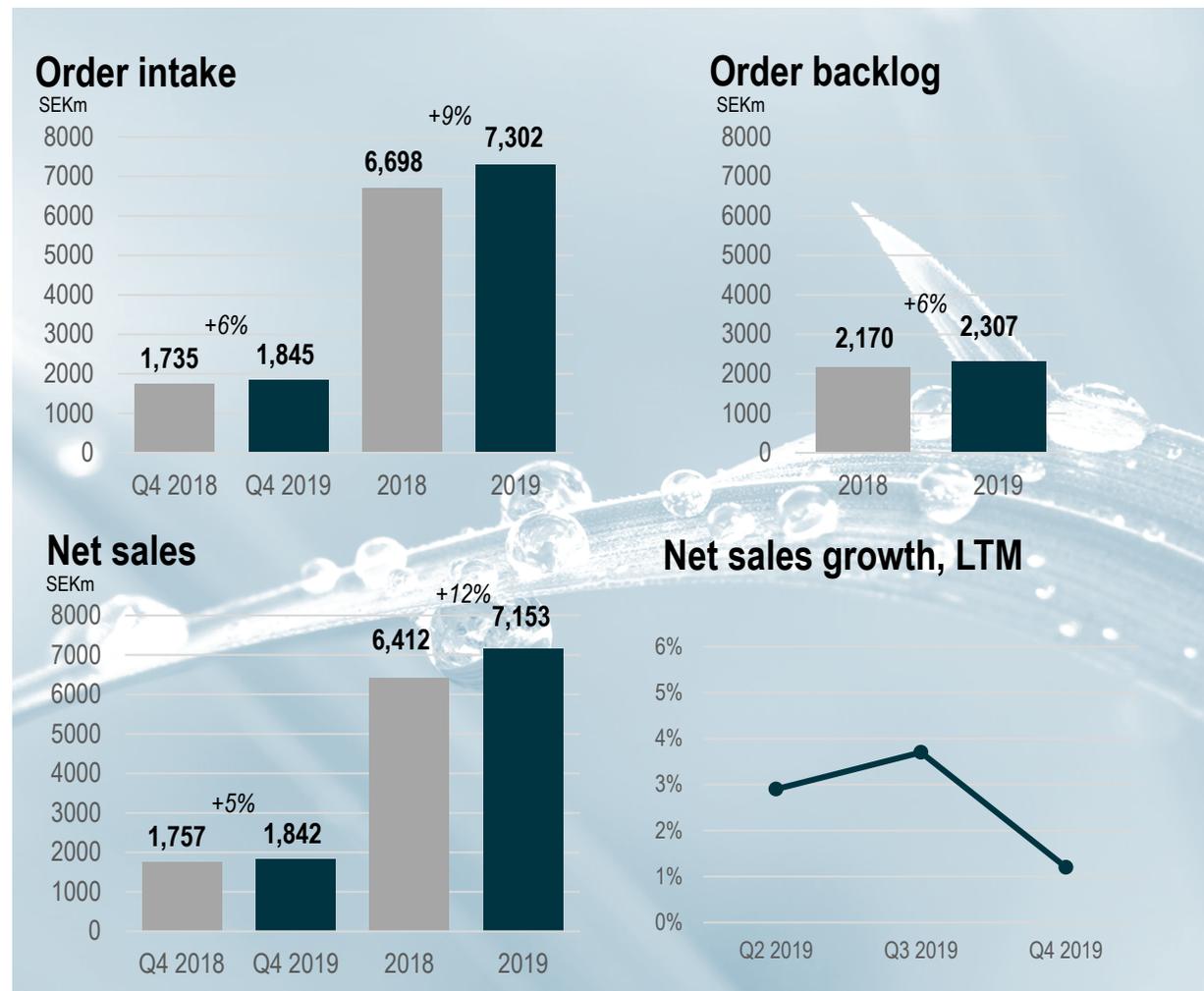
Net sales

Q4:

- Net sales growth of 5%, currency effects 6%. Strong fourth quarter 2018

Full year:

- Net sales growth for the full year driven by Data Centers US, Mist Elimination and Services; partly offset by FoodTech
- Services amounted to 13% of total net sales



AirTech: Strong growth in 2019

Order intake

Q4:

- Increased primarily driven by orders from Data Centers US and a strengthening of the commercial segment

Full year:

- Strong demand in Data Centers US, Mist Elimination and Services

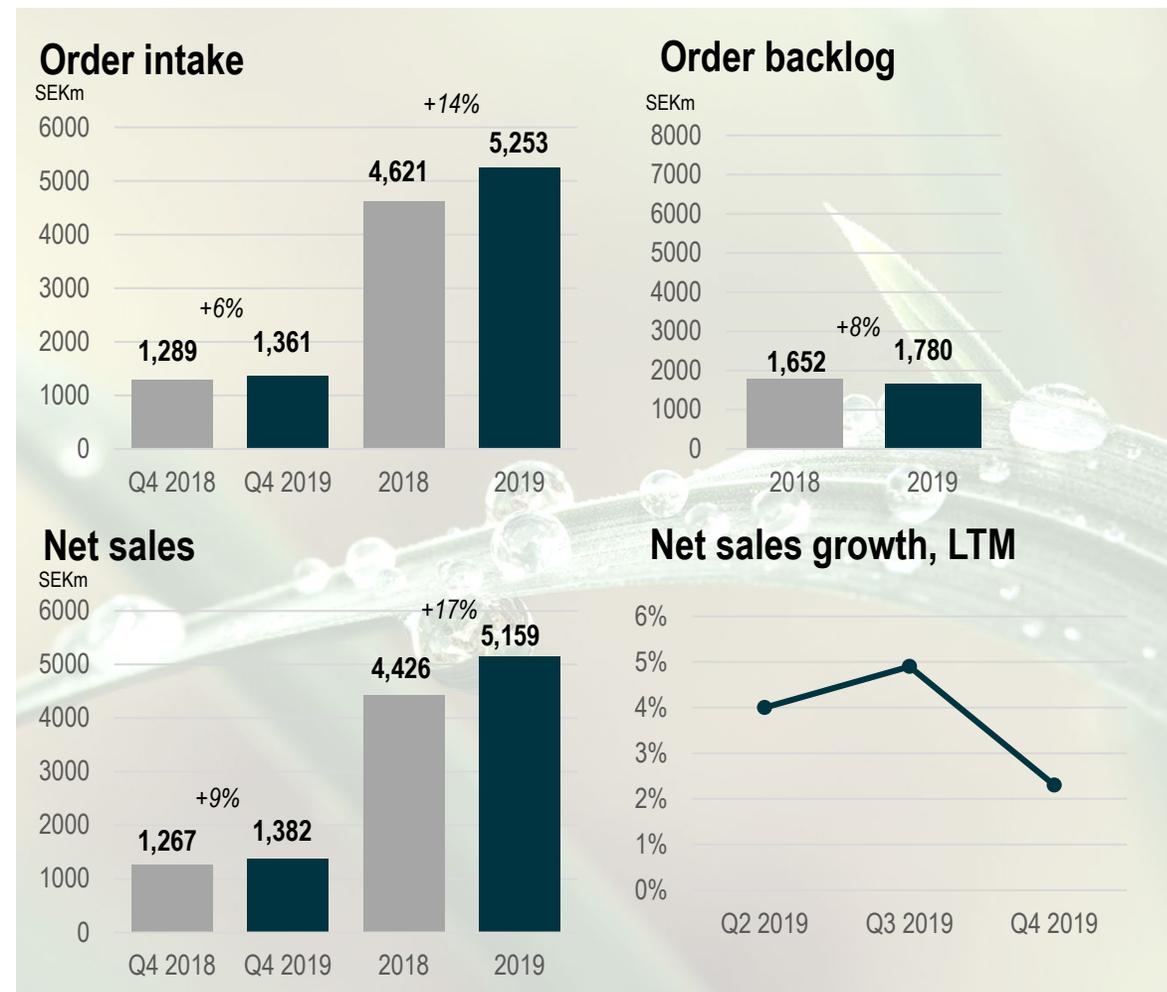
Net sales

Q4:

- Increase mainly driven by Data Centers US and commercial
 - Offset by lower demand in industrial segment

Full year:

- Growth driven by Data Centers US, Mist Elimination and Services



FoodTech: Market decline in 2019

Order intake

Q4:

- Good demand in the Asian broiler and layer market
- In Americas demand was strong in the dairy market as well as for climate controllers
- Overall softer demand softer in EMEA, with improved market demand in CIS-countries

Full year:

- The decline was primarily driven by weaker demand from the swine segment in China and the US, as a consequence of an overcapacity in the swine market in the US, uncertainties related to trade tariffs and ASF.

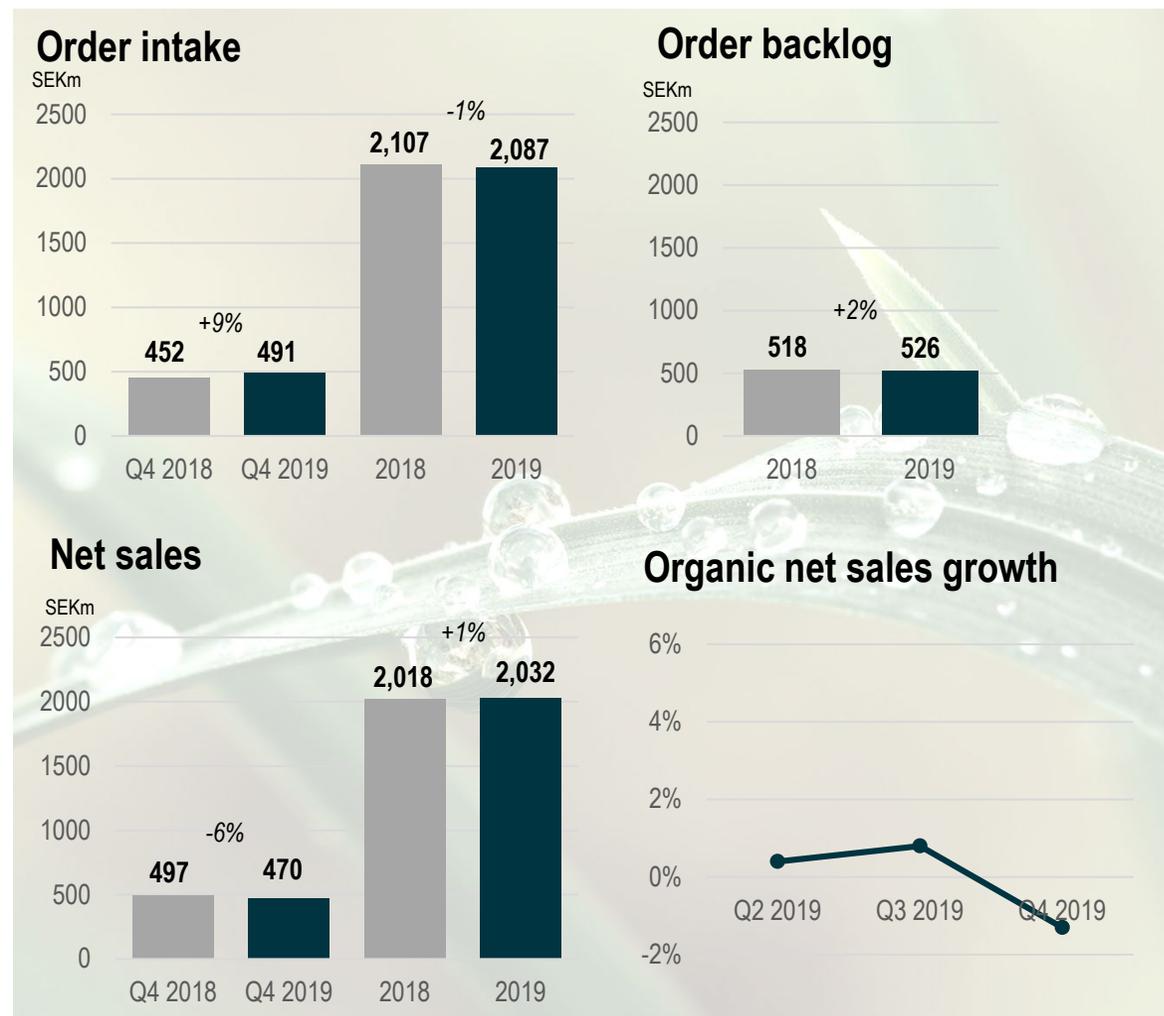
Net sales

Q4:

- Net sales declined in all regions, following lower order intake in previous three quarters.
- Partially offset by net sales growth in software solutions, an increase in the broiler segment in South East Asia as well as in the CIS countries.

Full year:

- Net sales declined, primarily driven by a decline in China and the US following the weaker order intake.



2019 Adjusted EBITA

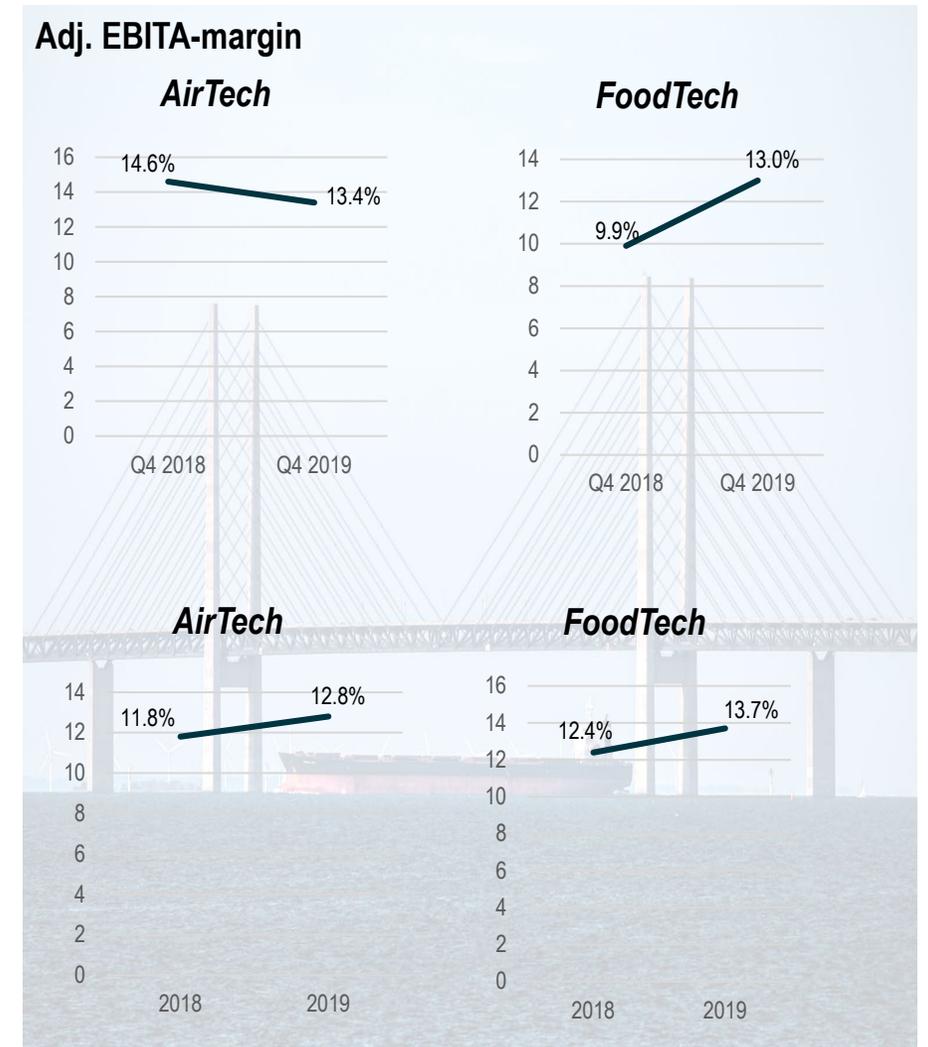
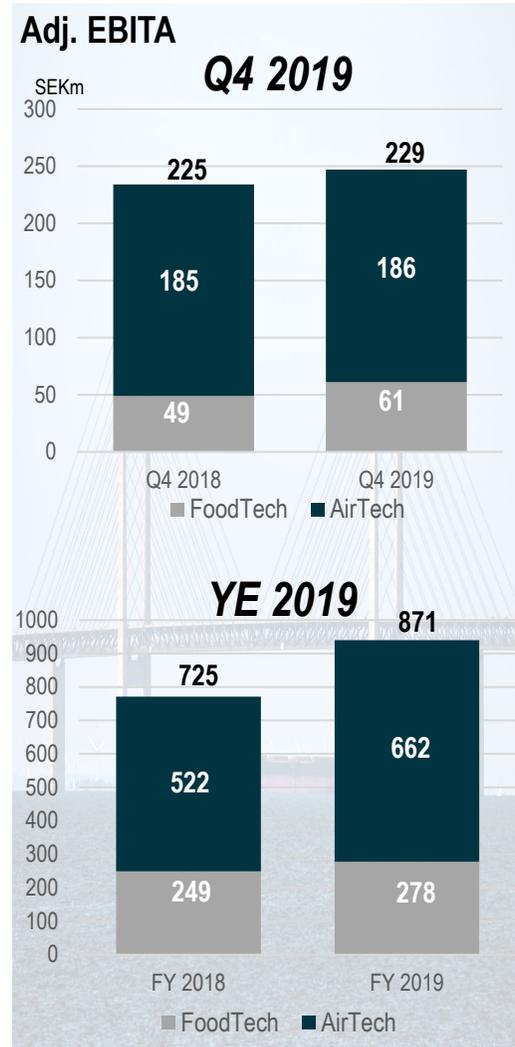
Improvement driven by:

AirTech:

- Savings from initiatives within the FPP
- Improved utilization rates in Data Centers US and Mist Elimination
- Growth in Services
- Strong Q4 2018

FoodTech:

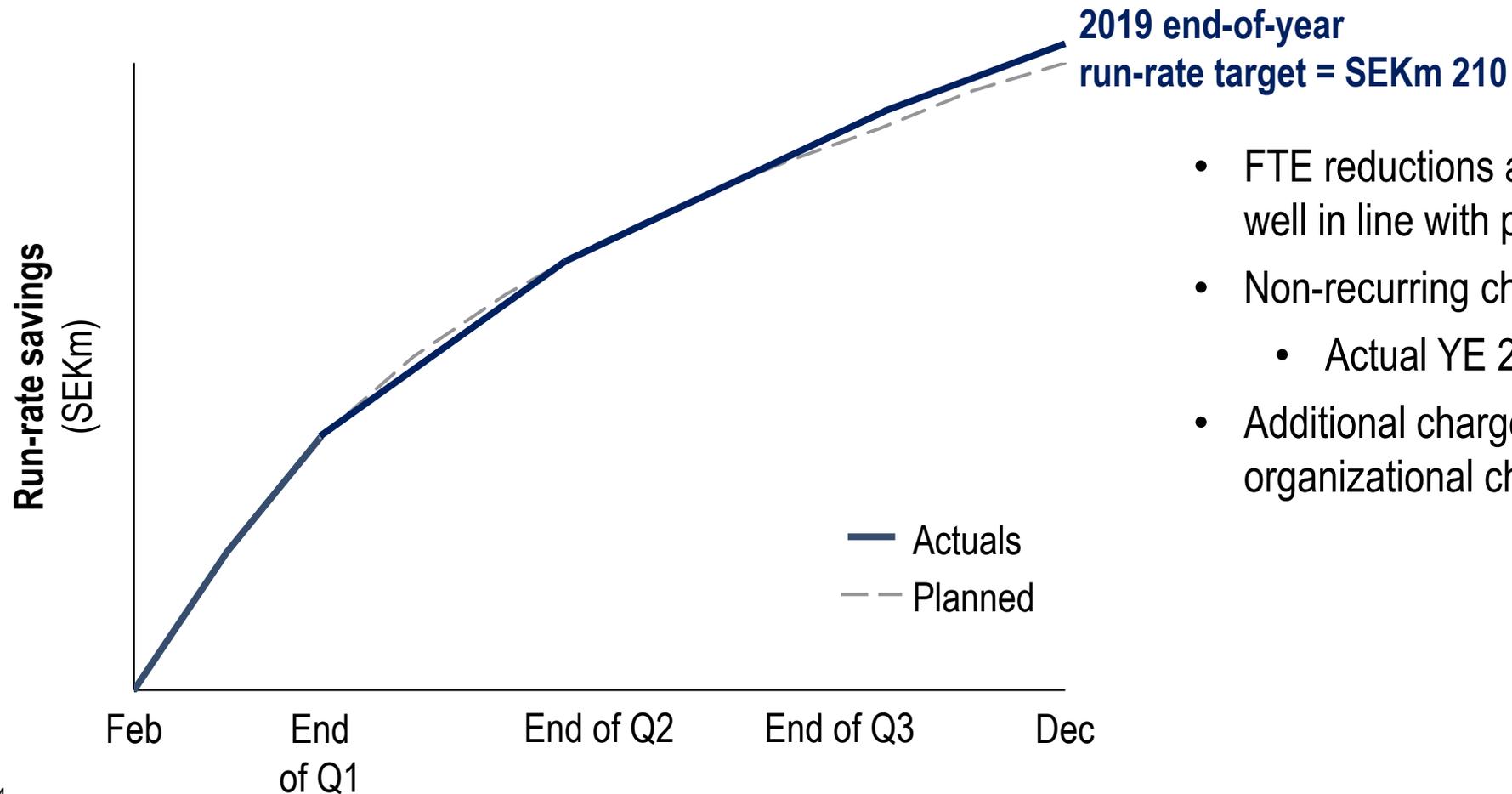
- Savings from initiatives within the FPP
- A changed product mix with more controllers sold



* The income statement has been restated for 2019 and 2018 to reflect discontinued operations in line with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Discontinued operations is defined as the business within the Data Center operations in Dison, Belgium. All income statement items in this report refers to Munters continuing operations, if not otherwise stated. See more information in the Quarterly report on page 19.

FPP - Savings well in line with plan

Full Potential Program savings

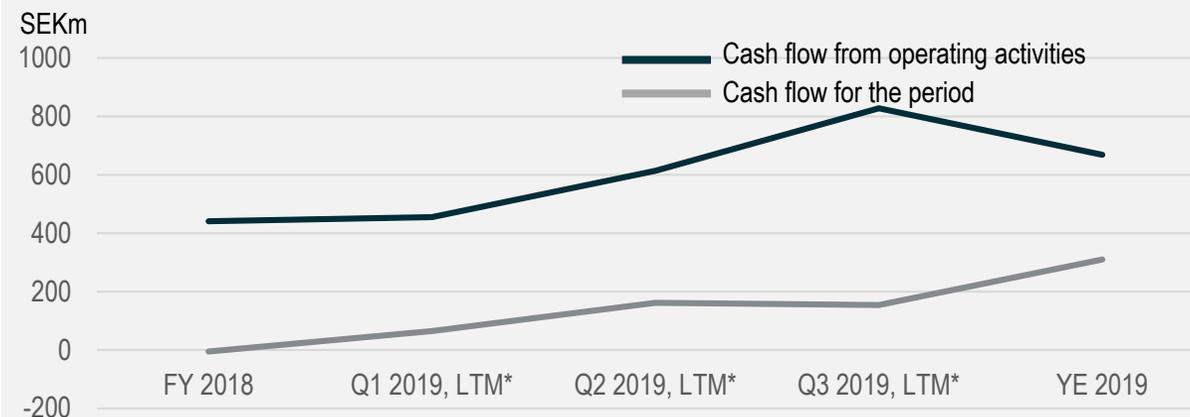


- FTE reductions and other cost savings well in line with plan, SEKm 210 run-rate
- Non-recurring charges:
 - Actual YE 2019: SEKm 392
- Additional charges of SEKm 19 related to organizational changes and reviews in Q4

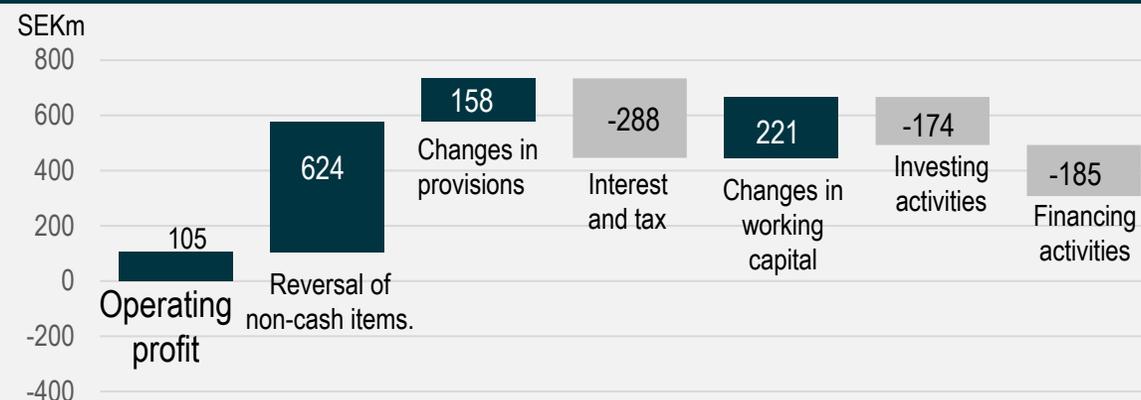
Cash flow development incl. discontinued operations

- Leverage decreased, reduced from 3.7x at end of December 2018 to 2.9x at end of December 2019
- Positive development of cash flow from operating activities, impacted by ongoing initiative to reduce working capital

Cash flow development, LTM*



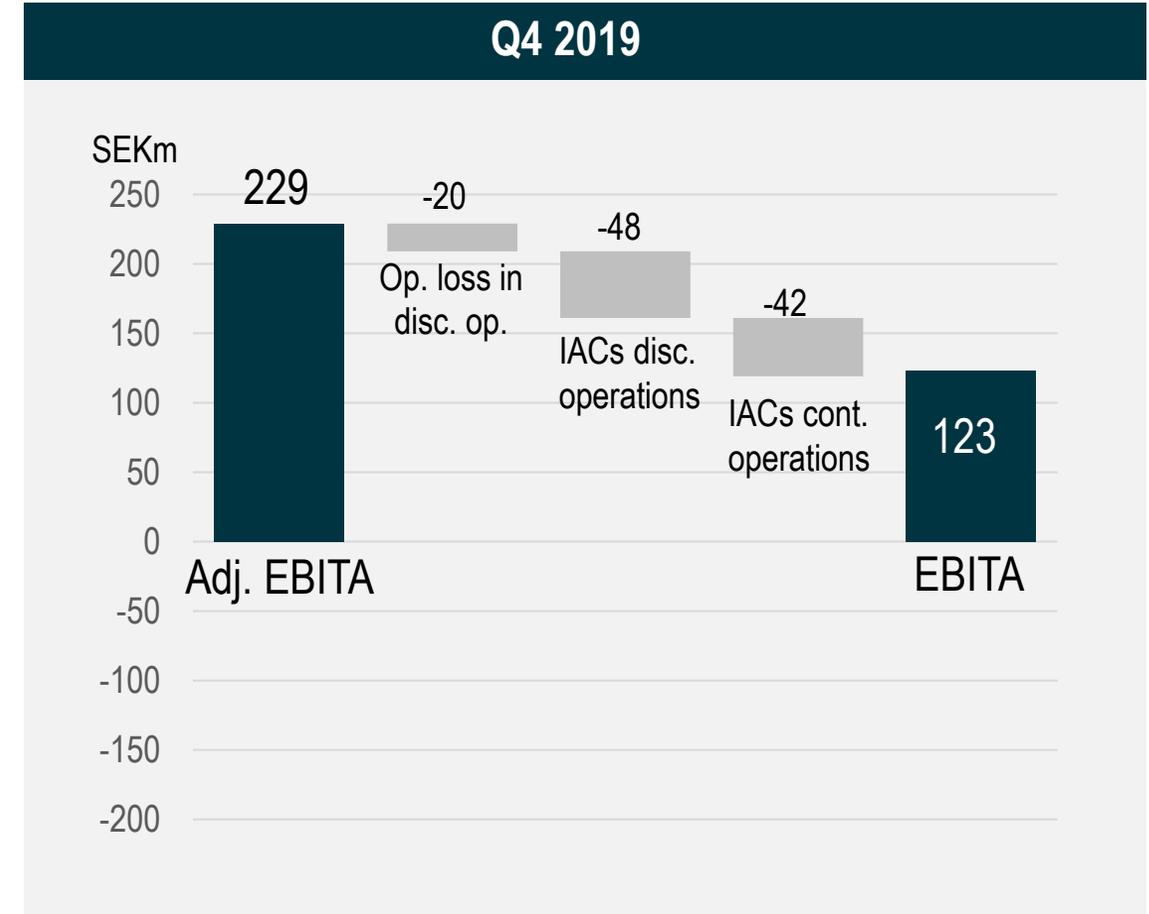
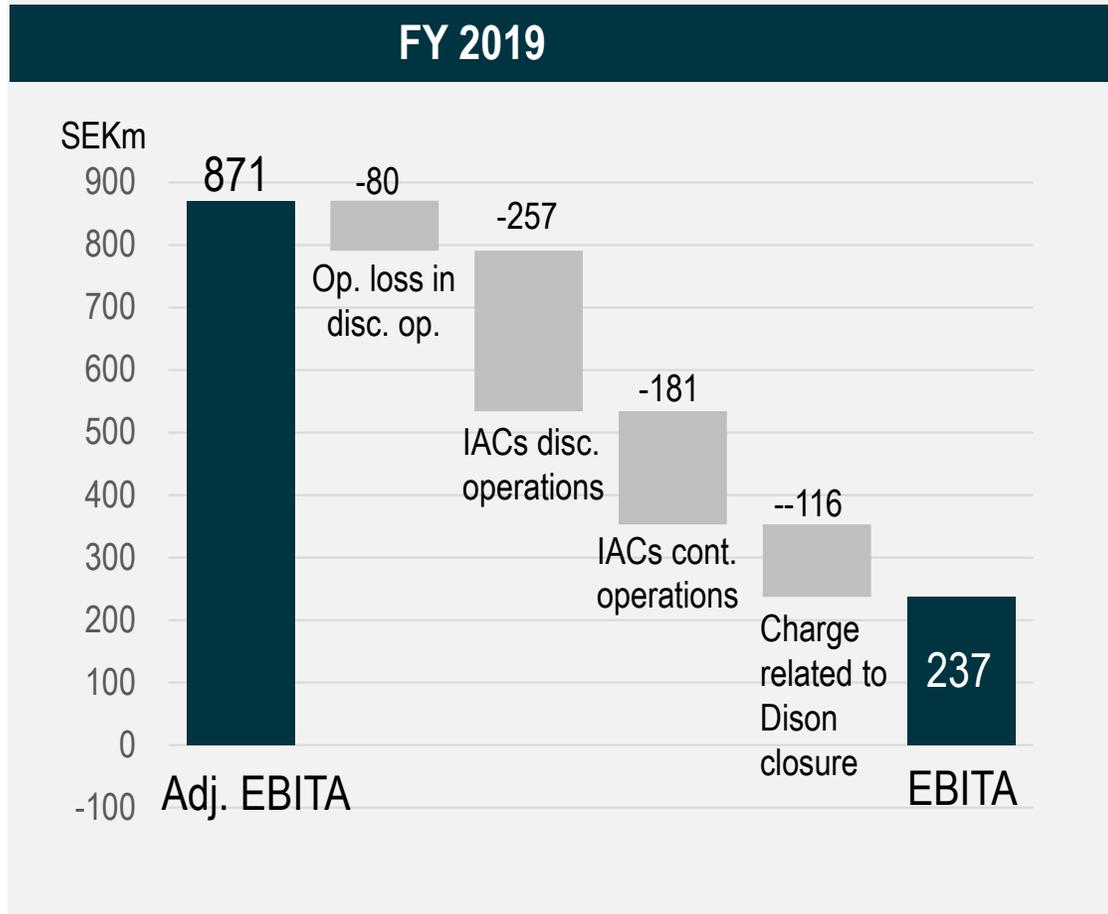
YE 2019



Reversal of non-cash items during 2019 mainly related to the FPP program.

*LTM = Last Twelve Months

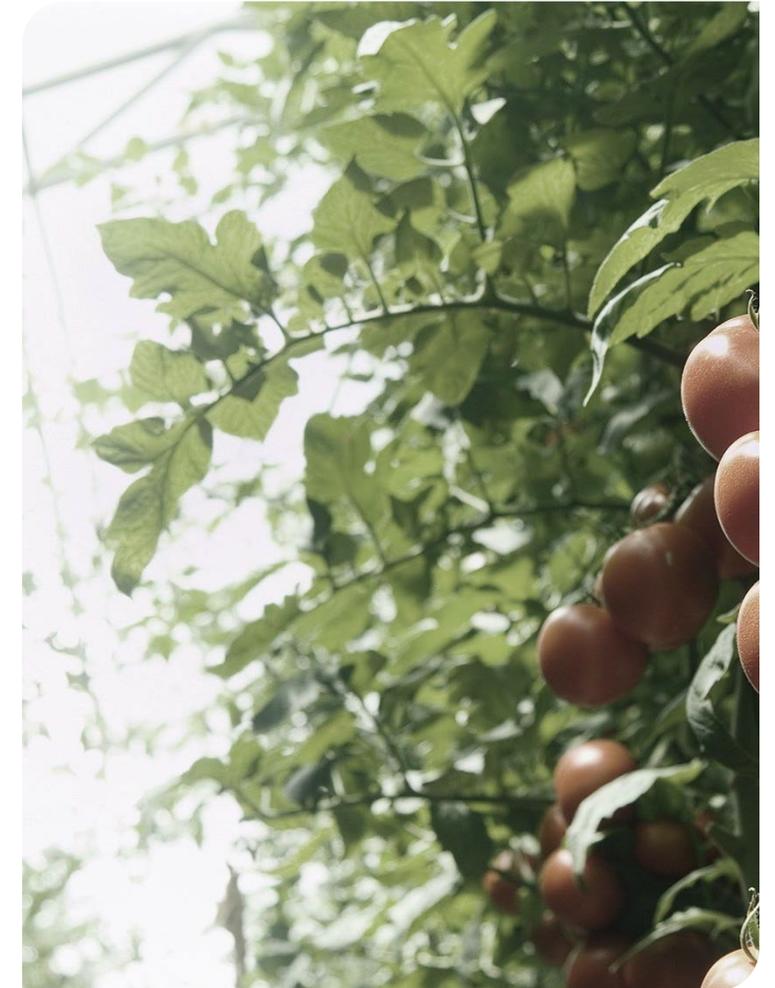
EBITA-bridge for FY 2019 and Q4 2019



IAC = Items Affecting Comparability
 Discontinued operations = Data Center operations in Dison, Belgium

2019 vs. Mid-term targets

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Refined strategic direction for Munters

Market driven by:



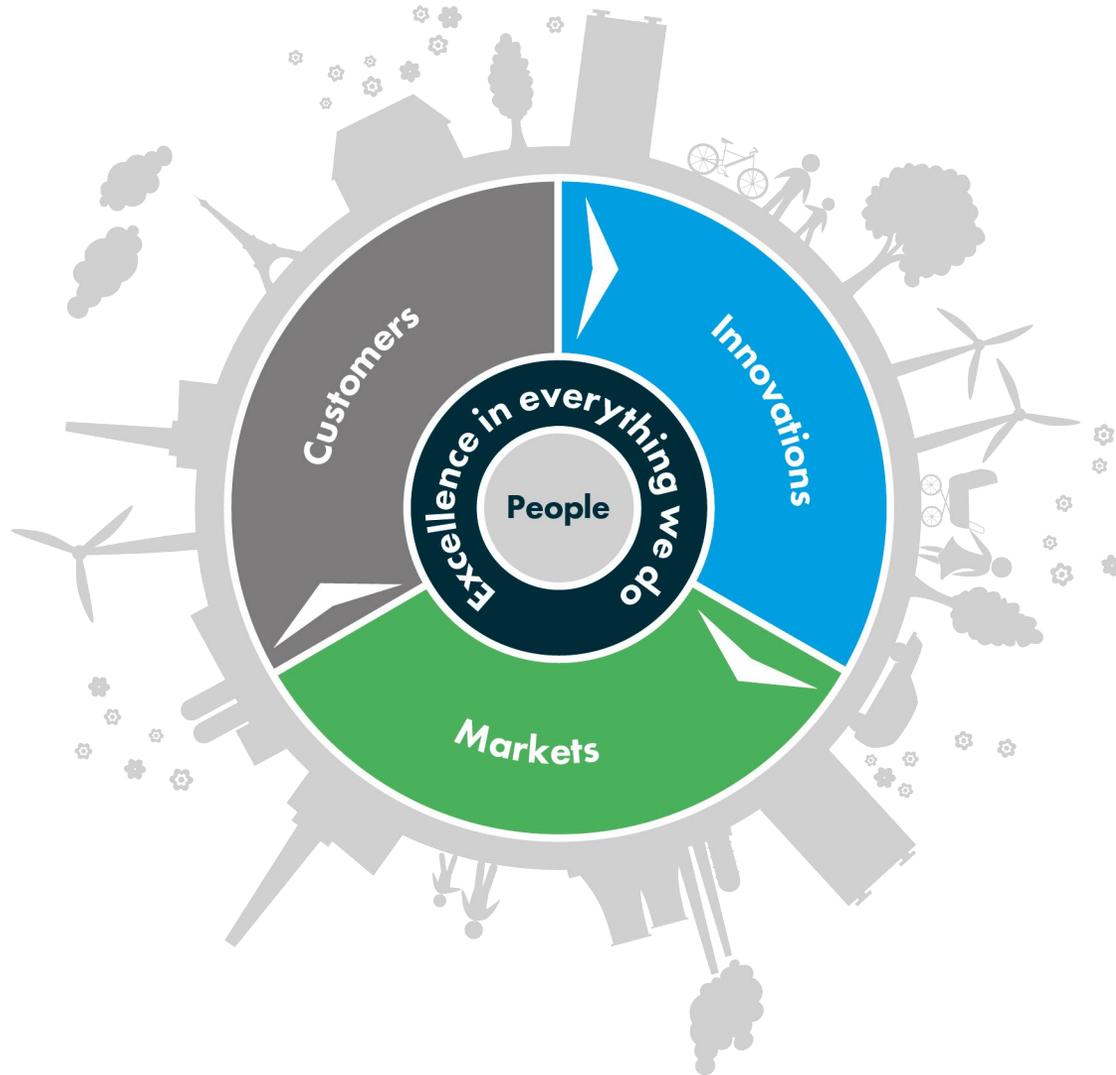
Strengths:

- Highly skilled employees
- Unique application knowledge
- Strong global market position, with local presence

Opportunities:

- Value chain efficiency improvements
- Grow Services
- Stronger focus on Sustainability and Digitalization

Munters strategic priorities



- People
- Customers
- Innovations
- Markets
- Excellence in everything we do

Enablers to ensure a strengthened platform

Major enablers:

- Organizational redesign and people development
- Focus on sustainability;
one of the major value drivers for Munters
- Higher investments 2020 in initiatives for
profitable growth



Enabler – Organizational redesign and people development

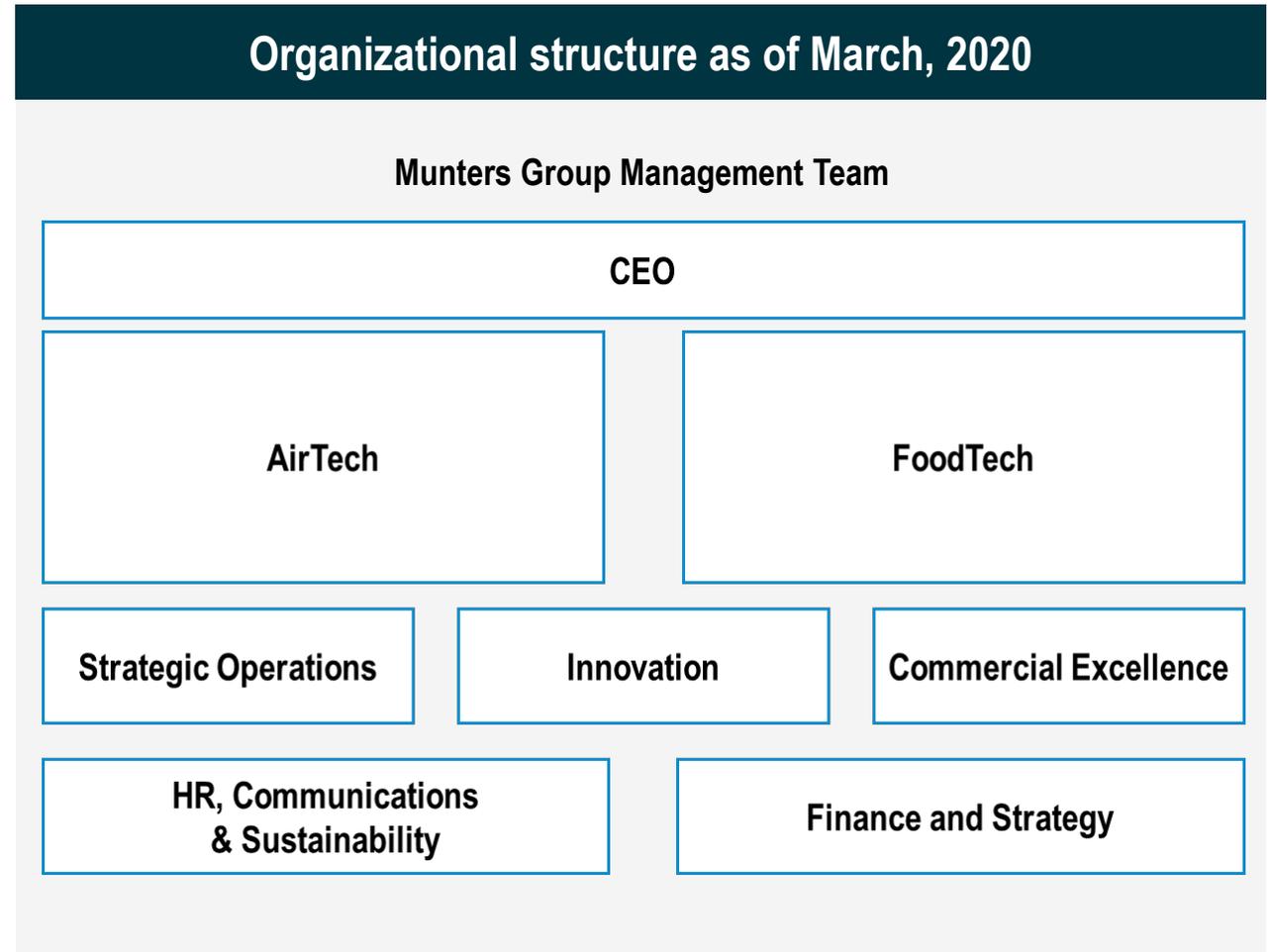
The organizational structure adapted to be more business oriented and customer focused, with:

- **Clearer business ownership**, aligning value chain within Business Areas, capturing logical synergies and value drivers across the Group
 - As of now 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



Enabler – Stronger focus on sustainability

- Sustainability is a main driver for Munters' strategic priorities
- Based on an on-going materiality analysis, Munters has defined a Sustainability Agenda with eight priorities
- The work on following-up on goals, activities, and metrics for our eight areas is now being intensified

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	



Enabler – Investments for the future

To secure long-term growth, in 2020, investments will be made in:

- Research and development – focus on speeding up grade of innovation and release of new products
- Other initiatives aiming at ensuring a more transparent management systems through the full value chain
- Continuously work with product portfolio alignment
- Drive working capital focus, including inventory mgt
- Further strengthen leading market positions in attractive niches



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2019 – Stable demand and improved earnings

- Good underlying order intake and net sales growth, with softer order intake in second half vs first half of 2019, impacted by weaker economic climate in Europe, the African Swine and trade tariffs
- Munters Full Potential program (FPP) delivering well in line with target
- FPP initiatives continues, transitioning into a refined strategic direction
- New organizational structure, enabler for capturing synergies and value drivers in the Group



Focus in 2020 and beyond



- People
 - Organizational re-design, leadership and competence development in line with strategic priorities
- Excellence in everything we do
 - Focus on continuous improvements and lean activities in complete value chain, incl. improvements of manufacturing footprint and working capital
- Customers
 - Improve go-to-market models and pricing strategies
- Innovations
 - Increased investments in R&D and product portfolio alignment and adjustment
- Markets
 - Continuously work with growing in prioritized markets and strengthen Services

Questions & Answers