



MUNTERS
January-March report 2020
Klas Forsström, President and CEO
Annette Kumlien, GVP and CFO

Agenda

Highlights Q1 2020

Q1 2020 results

Strategy and Sustainability reporting

Summary



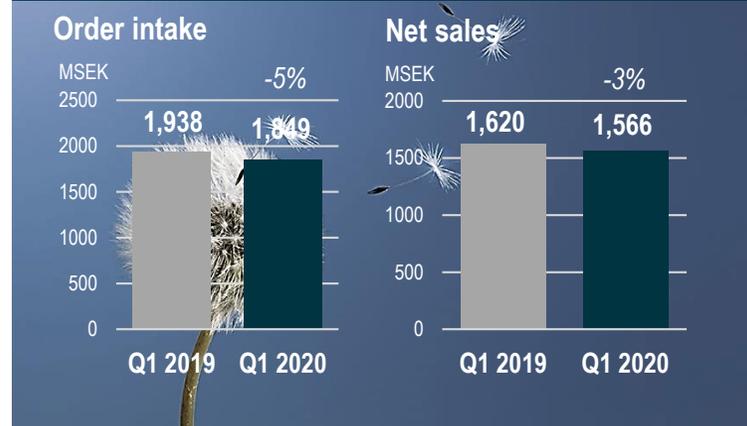
Highlights Q1 2020

Munters impacted by Covid-19 outbreak



- Order intake and net sales impacted by outbreak
- All production units, except two minor, operated w/o major disturbances in Q1
- Demand robust in January and February, except in China in February
- In March demand negatively impacted by the outbreak in Europe and Americas, whereas China recovered somewhat

Focus on continuous improvements



- Order intake declined organically by -8%
- Net sales declined organically by -7%
- EBITA-margin slightly improved, mainly due continued streamlining of indirect costs and mitigation of Covid-19 effects
- Focus on cash and continuous improvements in operations

Management changes



- Pia Brantgärde Linder appointed President of FoodTech
- Joining August 16, 2020
- Currently Senior Vice President and Business Unit Manager, High Voltage Products in Northern Europe at ABB

Demand impacted by Covid-19

Americas:

- AirTech strong development in the subsegment supermarkets in commercials in the US
- Also, strong development of components sales to OEMs and Services for AirTech in the US
- FoodTech good development Americas, primarily driven by good development in Mexico and for software solutions in the US

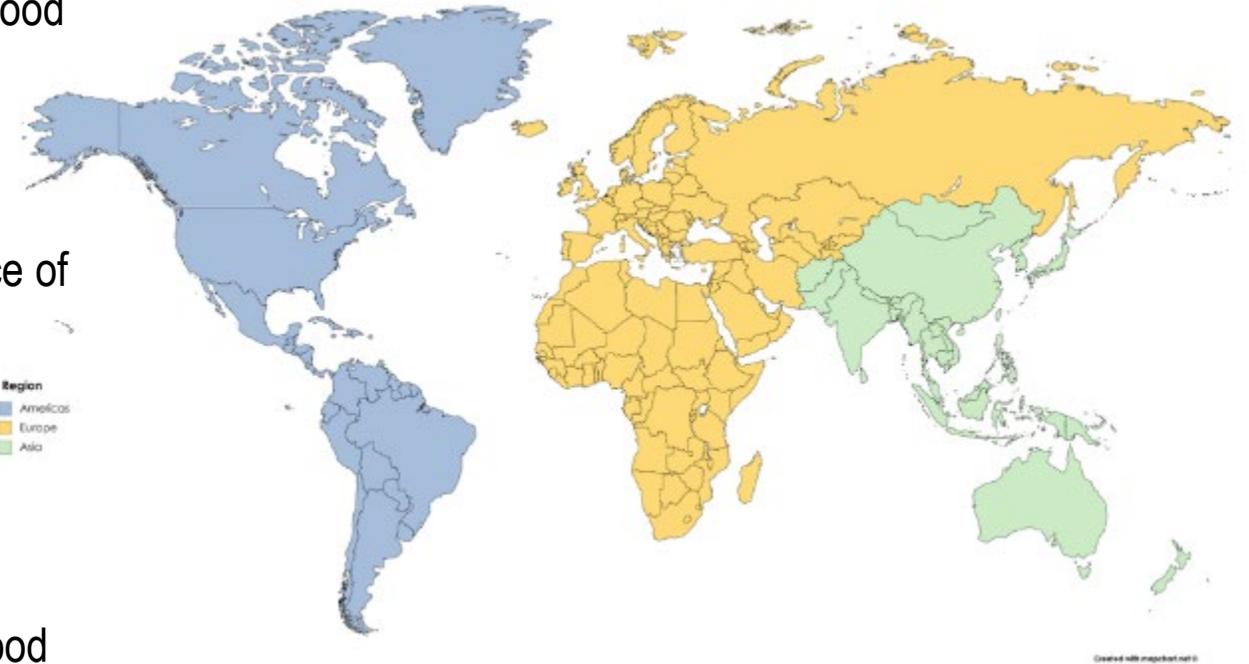
EMEA:

- AirTech weak development in the industrials segment
- Services in AirTech had weak development as a consequence of Covid-19
- FoodTech had weaker development, driven by a decline in Scandinavia and Italy

Asia:

- AirTech weak development in industrial segment
- FoodTech strong development in the swine segment, also good growth in layer and broiler segment

Regional split	Americas	EMEA	APAC
Share of total order intake	44%	35%	21%
Y/Y change in %*	6%	-17%	-4%





Data Centers order in Q1

- Order for Digital Crossroad Data Center project near Lake Michigan
- Order value MSEK 17 from Digital Crossroad, a new co-location data center client for Munters
- Solution:
 - Energy efficient, indirect airside economizer (IASE) plate heat exchanger technology
 - Water coils that use cool water from Lake Michigan, packaged with supplemental Dx refrigeration



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Q1 2020 vs. Mid-term targets and PY

	Mid-term targets	Q1 2020	Q1 2019
1 Net sales growth Annual growth in organic net sales starting in 2019, supplemented with add-on acquisitions.	5%	-7%	+7%
2 Adjusted EBITA-margin An adjusted EBITA-margin in the medium term.	14%	8.3%	8.1%
3 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	3.1x	4.3x



*LTM = Last Twelve Months

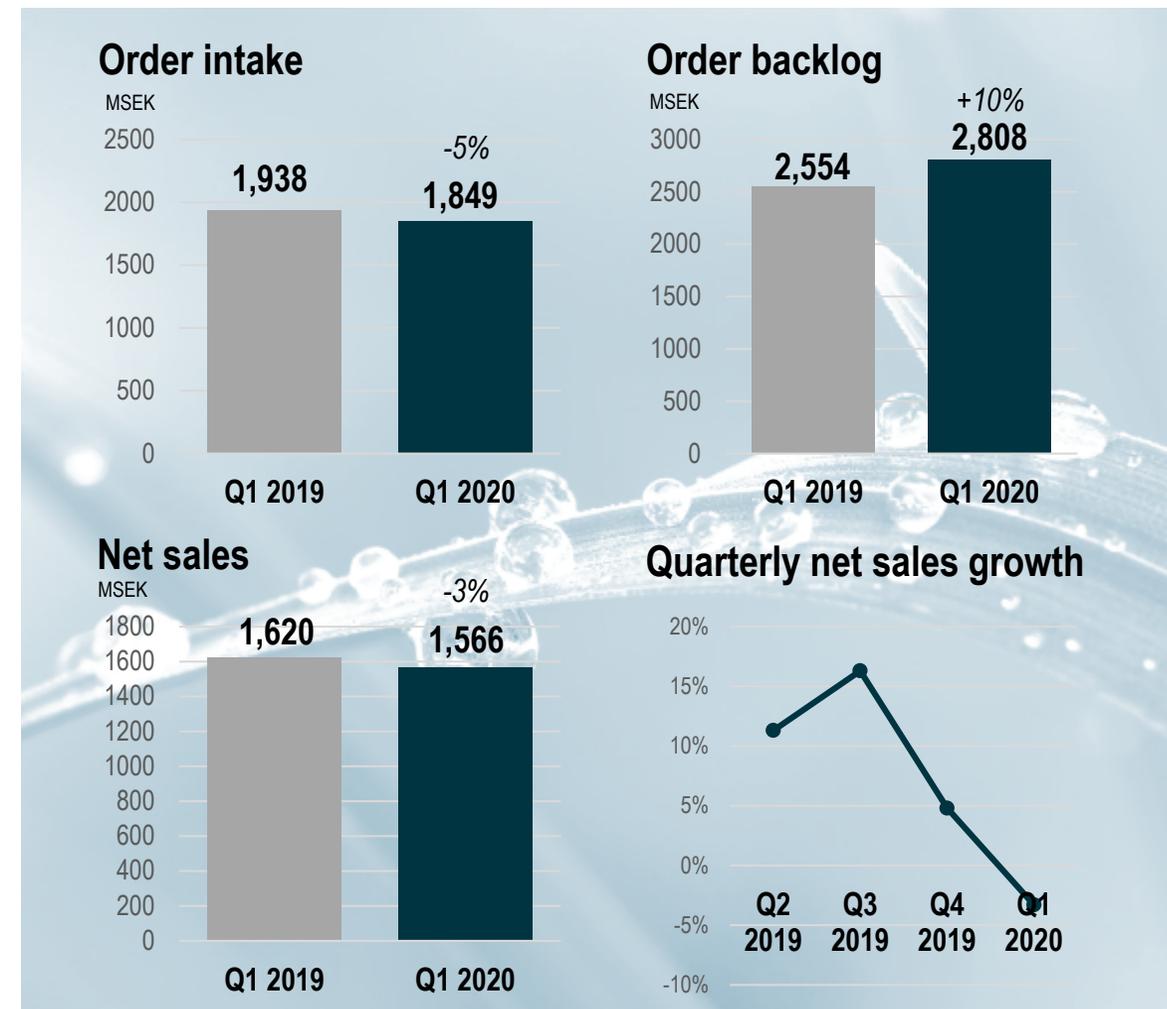
Group: Demand impacted by Covid-19 outbreak

Order intake

- Declined -5%, adj. for currency effects -8%
- AirTech: Decline in order intake driven by weak industrial segment, mainly in EMEA and APAC. Services had good growth in the US, but weaker in Asia and EMEA
- FoodTech: Flat organic development, with good growth in Americas. China had good growth in the swine, layer and broiler segment. In EMEA, demand was softer

Net sales

- Declined -3%, adj. for currency effects -7%
- AirTech: Decline driven by weak industrial segment. Services overall good growth driven by the US, but weak development in Europe and APAC
- FoodTech: APAC weak due to a negative impact on demand in China, mainly in February, from the Covid-19 outbreak. US weaker in all segments, except dairy. Europe flat
- Services represented 15% of total net sales



AirTech: Weak industrial segment in all regions

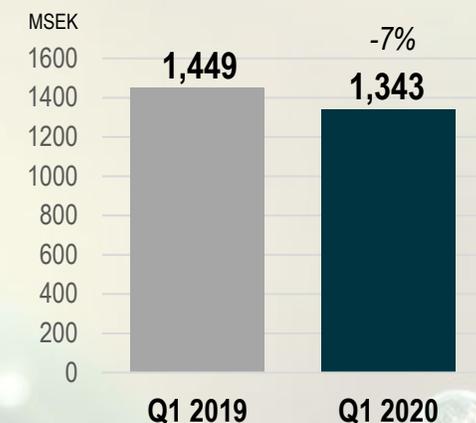
Order intake

- Declined -7%, adj. for currency effects -11%, on the back of a strong first quarter 2019
- Decline in order intake driven by weak industrial segment, mainly in EMEA and APAC
- US strong development in commercial segment, Services and sales of components to OEMs
- Services good growth in the US, weaker in Asia and EMEA
- Data Centers US and Mist Elimination declined

Net sales

- Declined -3%, adj. for currency effects -7%, mainly driven by weak industrial segment in all regions
- Commercial segment good growth in US, with strong growth in supermarkets
- Europe and APAC experienced declining net sales
- Services overall good growth driven by the US, but weak in Europe and APAC
- Data Centers US increased, whereas Mist Elimination declined as the marine subsegment and the power subsegment in India was weaker

Order intake



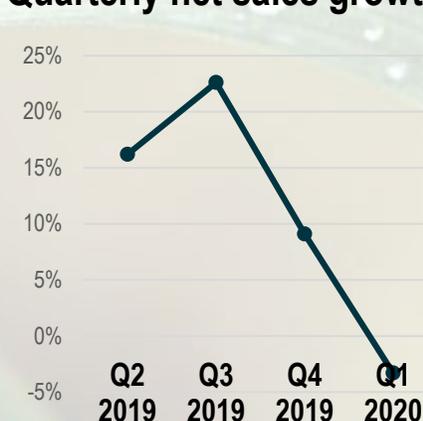
Order backlog



Net sales



Quarterly net sales growth



FoodTech: Good demand despite Covid-19 outbreak

Order intake

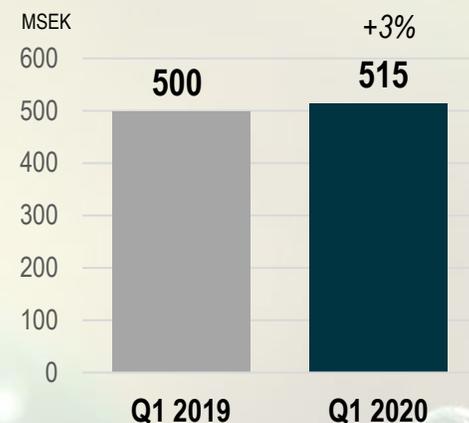
- Increased by +3%, with a flat organic development
- Strong development in Americas, mainly driven by Mexico and demand for software solutions in the US
- Growth in Asia, where China had good growth in swine, as capacity in this segment is being increased after ASF* in 2019. Also, strong growth in layer and broiler segments.
- Softer demand in EMEA

Net sales

- Declined by -4%, adj. for currency effects -7%
- Decreased net sales in all regions, except for EMEA that had flat sales development
- APAC weak due to a negative impact on demand in China, mainly in February, from the Covid-19 outbreak
- In Americas, the US experienced weaker net sales in all segments, except for dairy

*ASF = African Swine Fever

Order intake



Order backlog



Net sales



Quarterly net sales growth



Adjusted EBITA Q1 2020

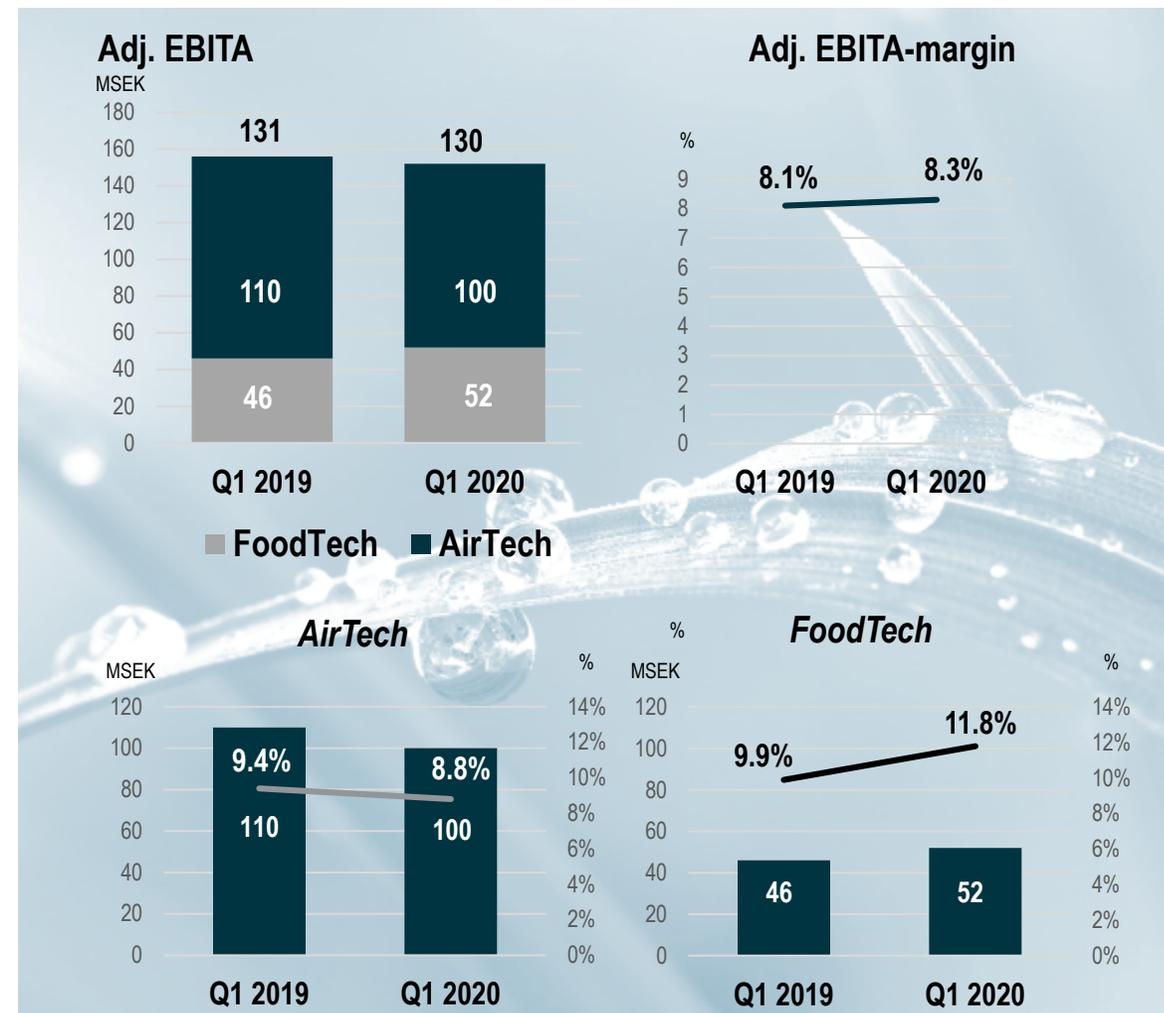
- Slightly improved adj. EBITA-margin because of:
 - Effects from cost reduction program in 2019 as well as continued streamlining of indirect costs
 - Active mitigation of the effects from the Covid-19 outbreak

AirTech:

- Slightly weaker margin mainly due to a lower gross margin, somewhat offset by lower indirect costs

FoodTech:

- Improvement driven by a slight improvement in the gross margin as well as lower indirect costs

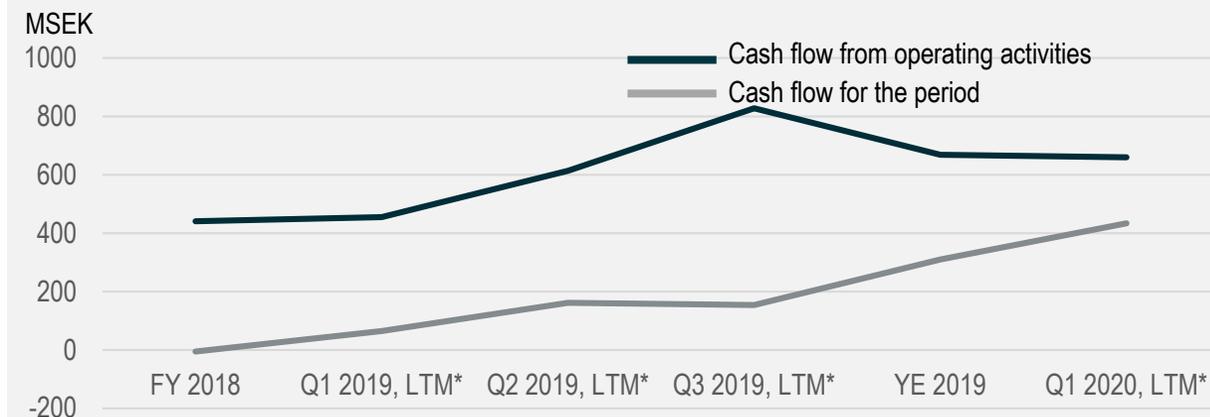


* The income statement has been restated for 2019 and 2018 to reflect discontinued operations in line with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Discontinued operations is defined as the business within the Data Center operations in Dison, Belgium. All income statement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

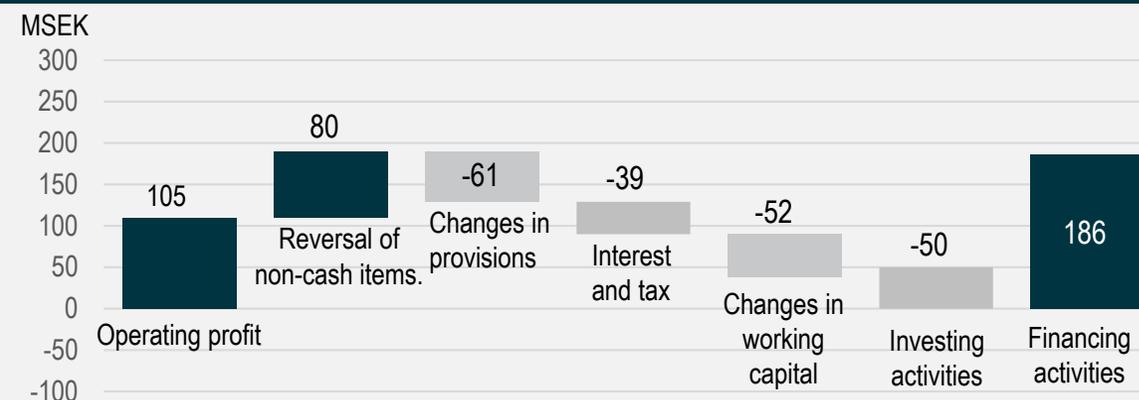
Cash flow development incl. discontinued operations

- Continued focus on cash and management of working capital
- Cash flow from operating activities MSEK 33, impacted by inventory build-up and Covid-19 outbreak
- Cash flow from the period increased to MSEK 169, driven by increased borrowings

Cash flow development, LTM*



Cash flow for the period, Q1 2020



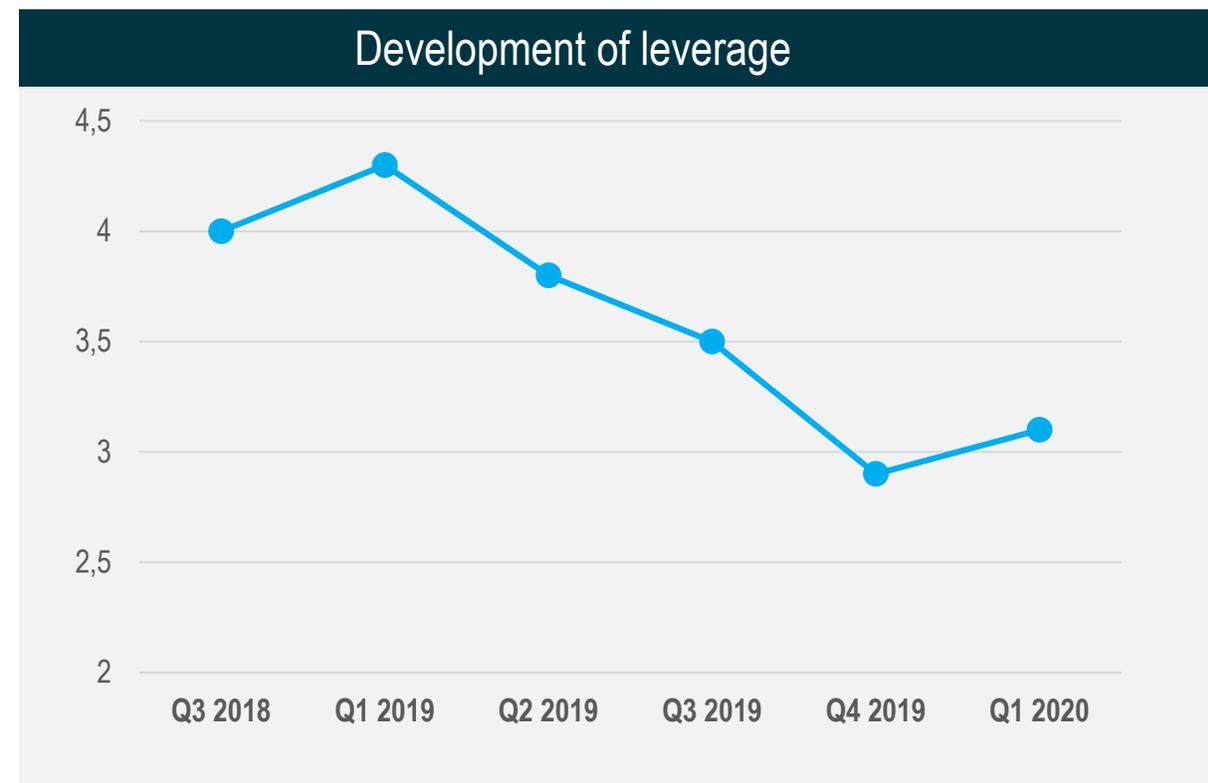
Reversal of non-cash items during Q1 2020 mainly related to the FPP program.

*LTM = Last Twelve Months

Leverage slightly increased in Q1

Leverage increased, from 2.9x at end of December 2019 to 3.1x at end of March 2020 mainly because of exchange rate effects

- Net debt increased from MSEK 3,062 at YE 2019 to MSEK 3,338 due to increased borrowing and exchange rate effects of MSEK 190
- Available cash per 31 March: MSEK 1,742



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Implementation of refined strategic direction



- Munters is well positioned in a long-term growing market driven by climate change, energy efficiency and digitalization
- Despite great attention on managing in the current business environment we are diligently working on implementing our refined strategy

Focus 2020:

Accelerate the implementation and especially our analysis of how to align the product assortment and optimize our manufacturing footprint

Focus in 2020 and beyond

Purpose:
For customer success and a healthier planet



	Focus areas
People	Organizational re-design, leadership and competence development in line with strategic priorities
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

Launch of new controller, FoodTech

- Launch of Trio controller for the swine sub segment
 - Clear and simple dashboard
 - Dynamic and user friendly experience
 - Energy saving eco mode
 - Automatic air quality control
 - Durable and reliable
- The controller will improve functionality, usability and efficiency for the customer
- Trio will replace several FoodTech products in the existing range thereby reducing inventory and working capital



Remote assistance in AirTech 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





Increased focus on Sustainability

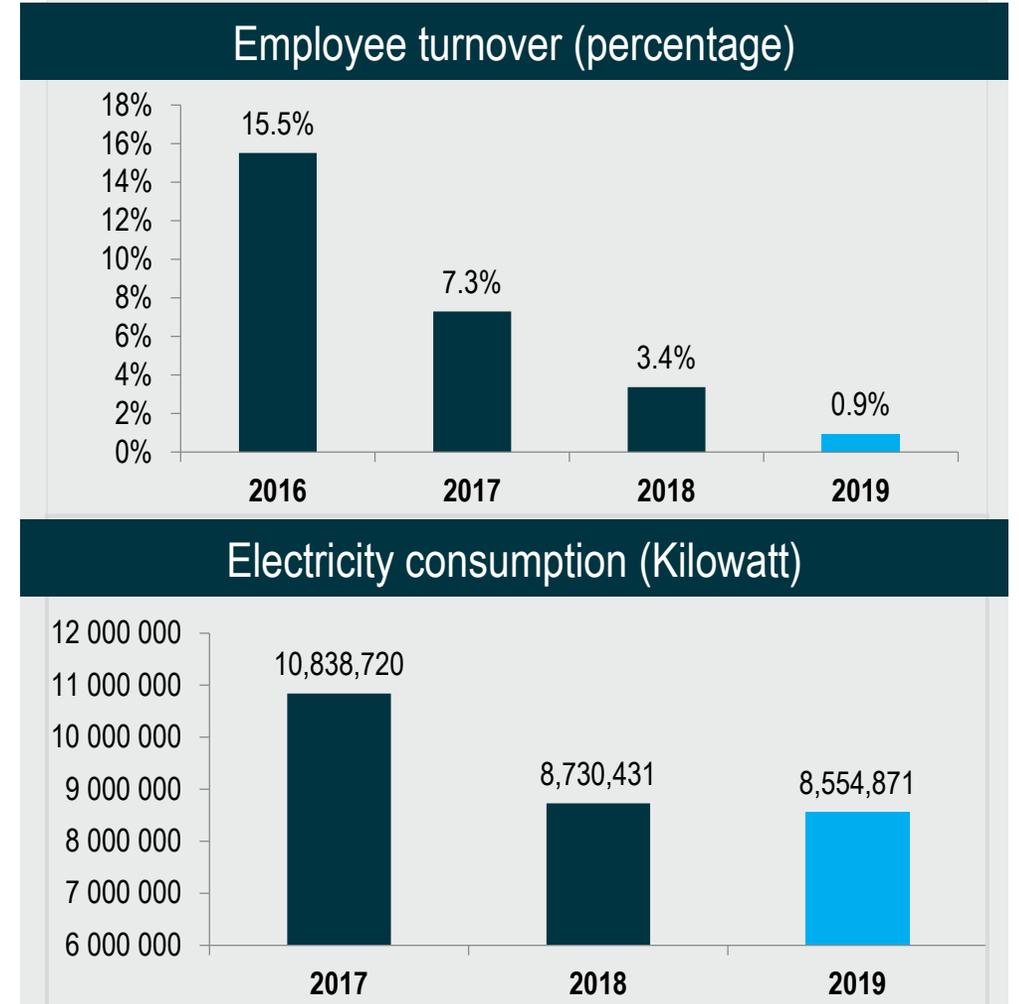
- Sustainability is one of the most important drivers for Munters' strategy today and in the future
- Munters sustainability framework is divided into three parts:
 - Resource efficiency
 - Responsible business practices
 - People & society
- More ambitious goals will be set for the sustainability work going forward
- In 2020 intense work is being done to lay the foundation for this

Example of KPIs FY 2019 (2018):

 RESOURCE EFFICIENCY	Green electricity:	40% (31)
 RESPONSIBLE BUSINESS	Total Recordable Incident Rate:	2.7 (3.4)
 PEOPLE & SOCIETY	Proportion female leaders:	25% (20)

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



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Continued challenging business environment

- For the coming quarters we expect a challenging business environment with a larger impact from the Covid-19 outbreak than seen in the first quarter
- At this time, the visibility of the effect of the outbreak is limited
- Current healthy order backlog but depending on the length and severity of the outbreak we see an increased risk for project delays
- We are well positioned in a long-term growing market driven by climate change, energy efficiency and digitalization



Questions & Answers