

MUNTERS

Q3 report 2020

Klas Forsström, President and CEO

Annette Kumlien, GVP and CFO

Agenda

Highlights third quarter 2020

Implementation of strategy

Third quarter 2020 results

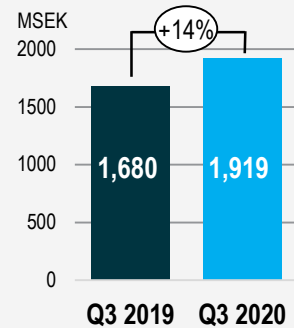
Summary



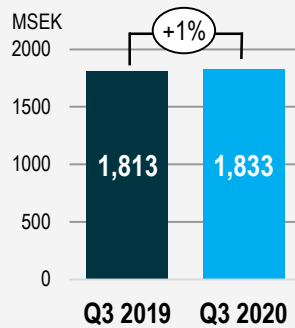
Strong profitable growth in third quarter

Strong results

Order intake



Net sales



- Order intake increased organically by 21%
- Net sales increased organically by 8%
- Adj. EBITA-margin increased to 14.8% (13.7)
 - Both business area AirTech and FoodTech good efficiency improvements and continued low indirect costs
- Leverage at 2.5x, reached mid-term target range of 1.5x-2.5x (Net debt/EBITDA)

Growth in prioritized markets



- Growth achieved in prioritized markets
- Order intake growth mainly driven by Services and Industrials segment in Americas for AirTech and the swine segment in China for FoodTech
- Market improvement, but still low visibility of market demand due to lingering Covid-19 outbreak

Strategy execution



- Preparation for implementation of measures announced in July 2020 progressing according to plan - sharpening the customer offering and footprint optimization, ie:
 - Exit part of the non-core commercial business in the US, Data Centers US manufacturing to be expanded in Texas, Operations in the Netherlands to be consolidated, etc

Order for lithium battery production in the US

- Order to provide desiccant dehumidification solutions for a lithium battery production facility in the US
- The total value of the order; including equipment and services is approximately MUSD 12*
- Munters delivers proven, standard ultra dry climate offering
 - ICA (Integrated Custom Airhandlers)
 - IDS (Industrial Desiccant Dehumidification) systems, utilizing our GreenPowerPurge technology
- Delivery is expected throughout 2021



Munters delivers strong customer value creation by providing:

- An energy efficient product – reducing energy consumption and waste
- Strong application expertise – optimized customer solution
- Our service organization – peace of mind

Strong order intake driven by Americas and Asia

Americas

- AirTech - good development in the lithium batteries and pharma sub-segment as well as in Services. Data Centers US had weak order intake, still have strong order backlog
- FoodTech - weak development, driven by the overcapacity in the swine market in the US

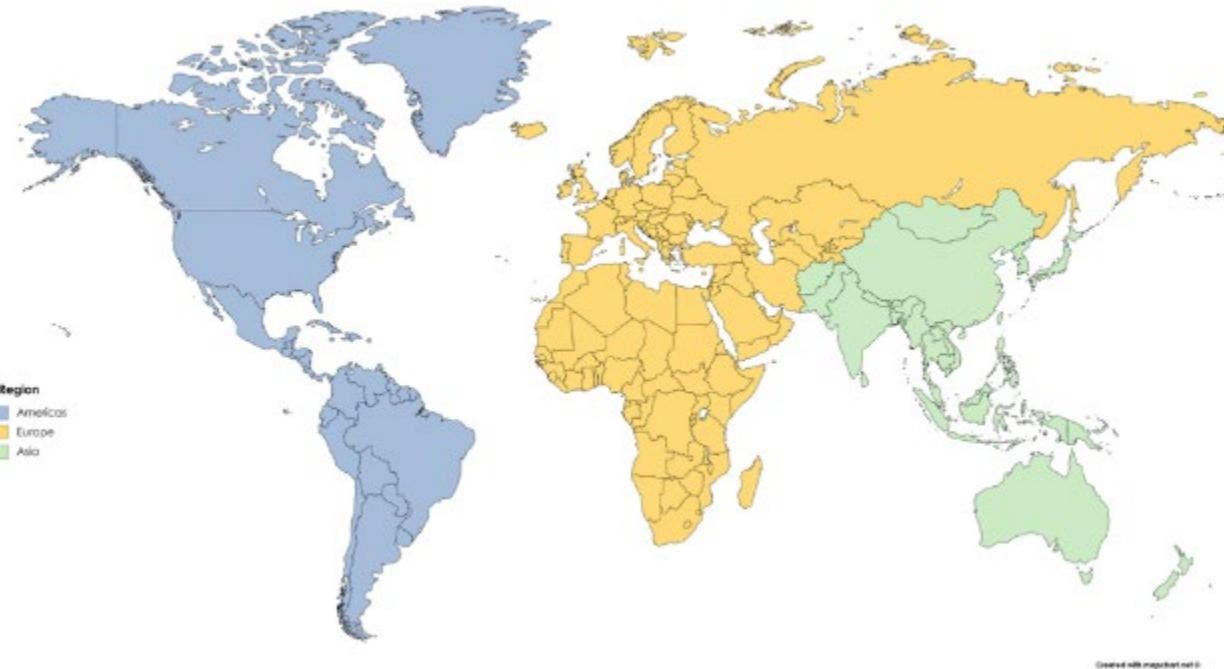
EMEA

- AirTech - weak development driven by Mist Elimination and Industrials
- FoodTech - weak development in several countries due to the effects from the Covid-19 outbreak, offset by a good development in our operations in Germany, mainly driven by Russia

Asia

- AirTech - good development driven by Industrials and a few larger order from the lithium batteries industry, offset by a weak development in Mist Elimination and Industrials
- FoodTech - strong development in the swine segment driven by the increased investments resulting from the African Swine Fever (ASF) outbreak in 2019. Also the broiler segment had good growth in China

Regional split	Americas	EMEA	APAC
Share of total order intake	44%	29%	27%
Y/Y change in %*	35%	-5%	11%



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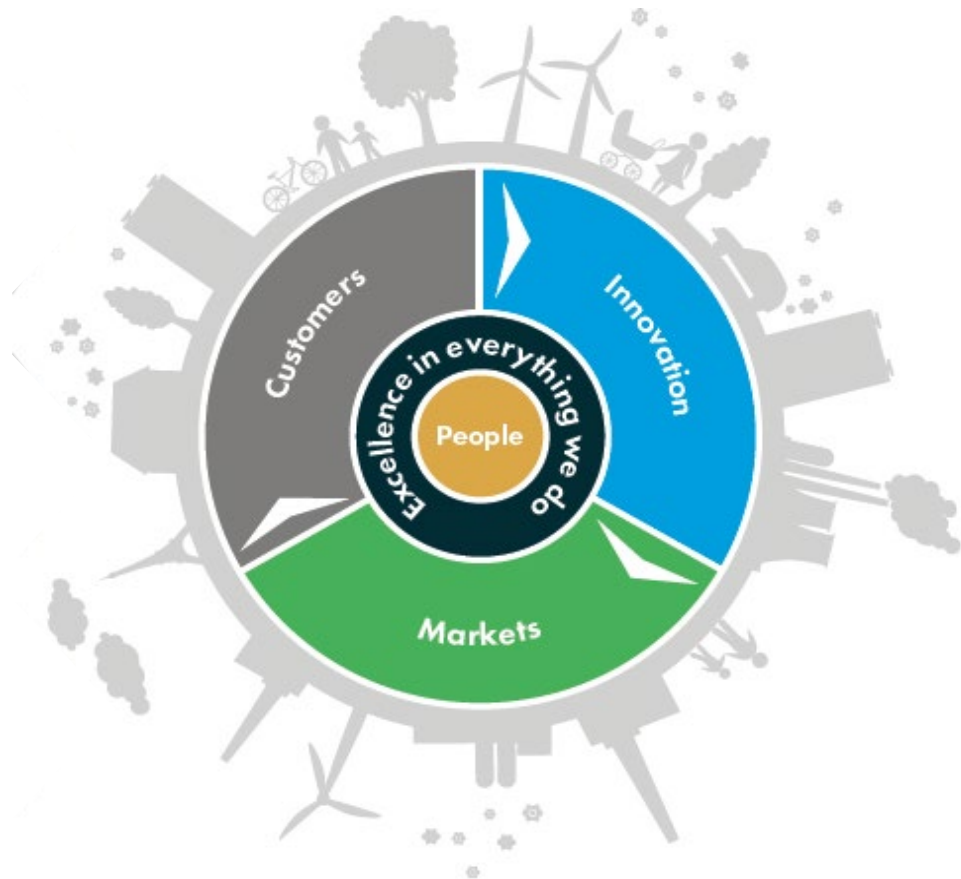
Summary



Focus in 2020 and beyond

Purpose:

For customer success and a healthier planet

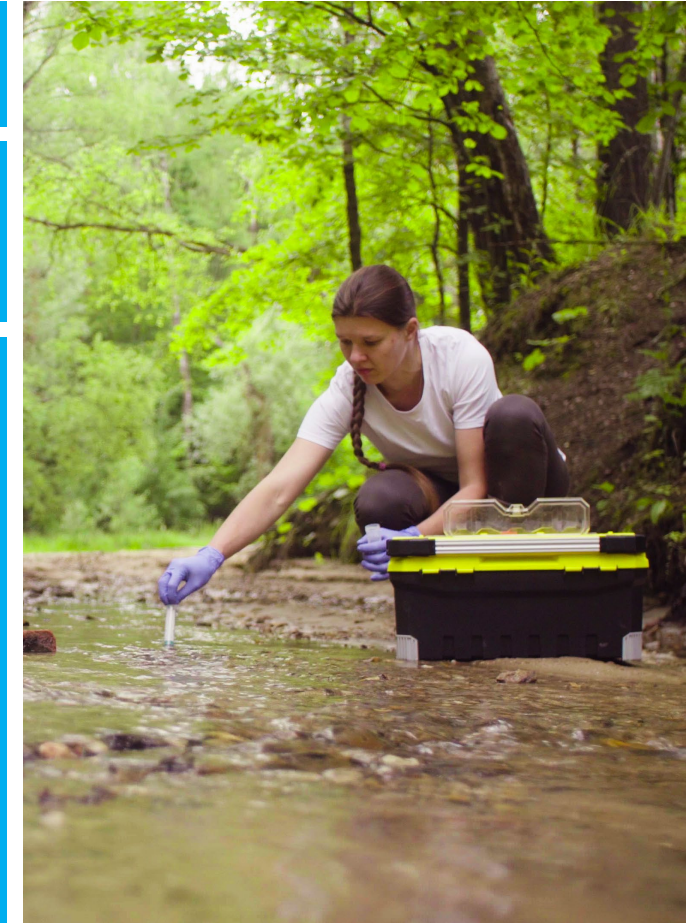


Strategic priorities:

	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

Strong profitable growth in third quarter

Focus	Prioritized areas	Ambition	Q3 2020
<p>Prioritized markets</p>	<ul style="list-style-type: none"> • AirTech: Industrials - Lithium battery production, Food, Data Centers and Mist Elimination • FoodTech: Digital offering, grow in growing regions, ie Asia 	<ul style="list-style-type: none"> • Market position 1-3 in prioritized markets • Higher degree of data driven products and solutions • Services to represent > 30% of net sales 	<p>Organic net sales +8%</p>
<p>Services</p>			<ul style="list-style-type: none"> • Strong growth in Industrials – pharma and lithium batteries • Growth in Services • Good development sold SaaS (Software as a Service) solutions



Product rationalizations on three levels

Focus	Ambition	Status
Standard clean-up of product portfolio	Target 40% reduction of product assortment (SKUs*) by 2022**	Run-rate of > 25% reduction
Component simplification of current and future products	Reduce by min. 25% by end 2023, examples: screw types, spare parts, etc	On-going – firm target to be set in Q4 2020
Component simplification of current and future products	New products to be modularized, combining low complexity with high customization capabilities	On-going, first product launches made <i>(example: Saturn)</i>



*SKU = Stock Keeping Units
 **Target is set as of 2019 until 2022

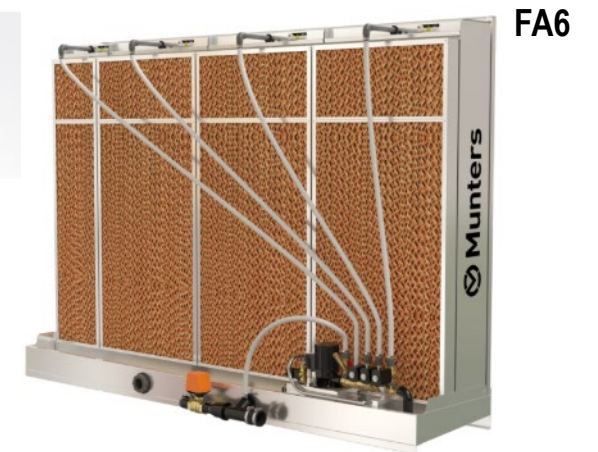
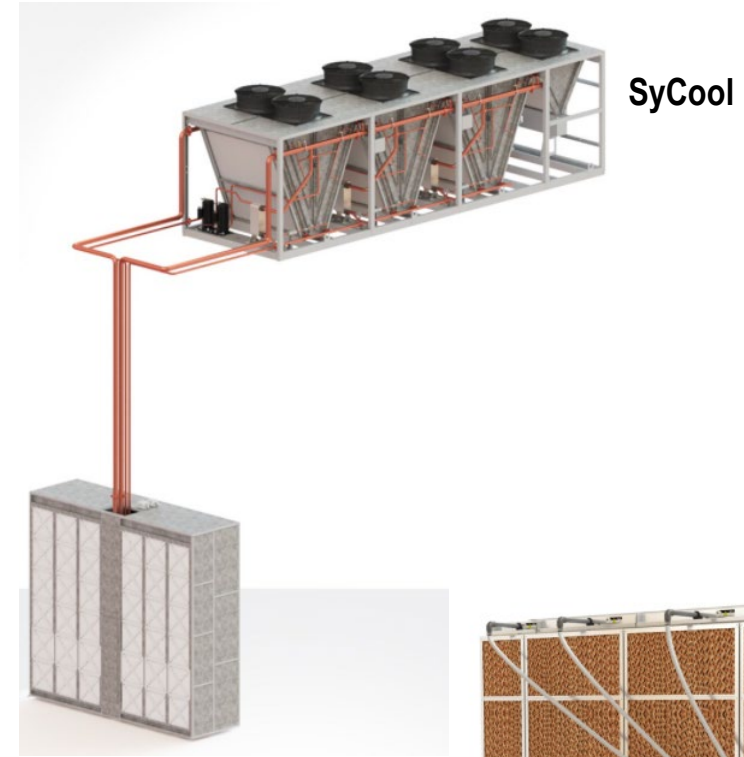
Innovative products in AirTech

SyCool

- On-going product launch: Next chapter for Data Center Cooling
- SyCool® ITC offers data center owners and operators an energy efficient indirect cooling solution without the need for water

Munters FA6 units

- Designed to offer the best evaporative cooling and humidification solution for a wide range of industrial applications
- At the heart of the solution is Munters leading GLASdek™ GX40 media, which is ceramic coated, highly efficient and fireproof
- The FA6 is a high performance, low operating cost solution in a wide range of sizes for residential and industrial buildings



Delivering customer value by:

- Reducing energy consumption and waste
- Providing high reliability and cost efficient - Total Cost of Ownership

FoodTech launch Saturn modular platform

One platform for different solutions

- Strong metal superstructure, 4 pieces venturi in composite
- Corrosion resistant, High performance aerodynamic design

Modularity

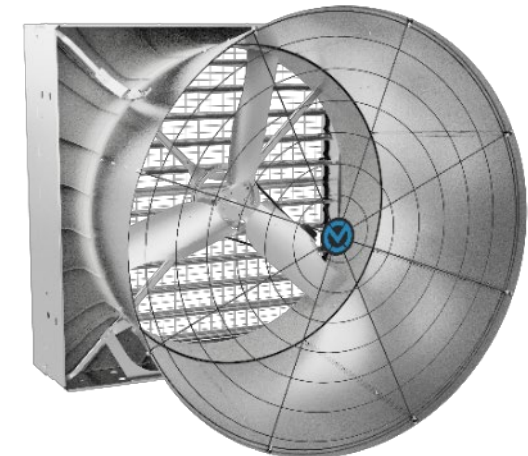
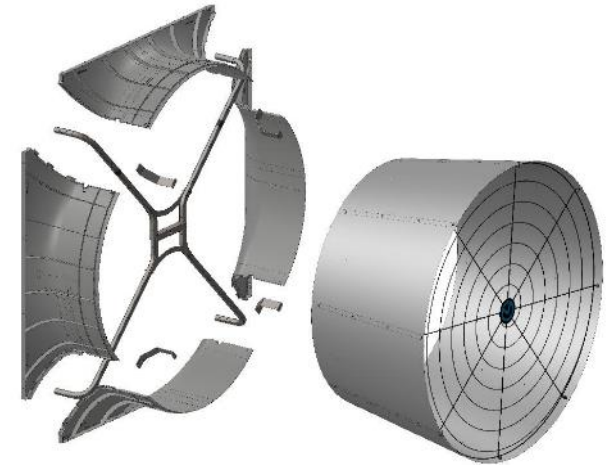
- Flexibility
- Reduce portfolio fragmentation, spare parts quantity and inventory value

High performance

- Strong and consistent airflow
- Reduction of moving parts
- Increase in operating life

Delivering customer value by:

- Reducing energy consumption
- Reduce cost for installation and maintenance
- Increased animal wellness through reduction of noise emission and controlled lightning



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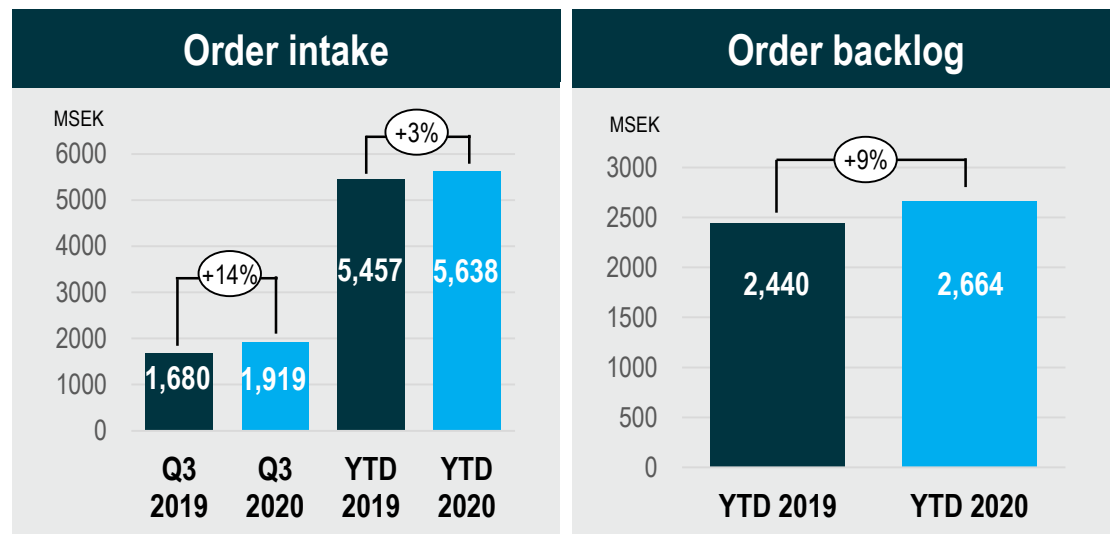
Q3 2020 vs. Mid-term targets and PY

	Mid-term targets	Q3 2019	Q3 2020	YTD 2019	YTD 2020
1 Net sales growth Org. growth p.a. over a business cycle	5%	11%	8%	8%	-2%
2 Adjusted EBITA-margin	14%	13.7%	14.8%	12.1%	12.8%
3 Capital structure (LTM*) (Leverage: Net debt / adj. EBITDA)	1.5x-2.5x	n.a.	n.a.	3.5x	2.5x

*LTM = Last Twelve Months



Group: Strong growth in order intake



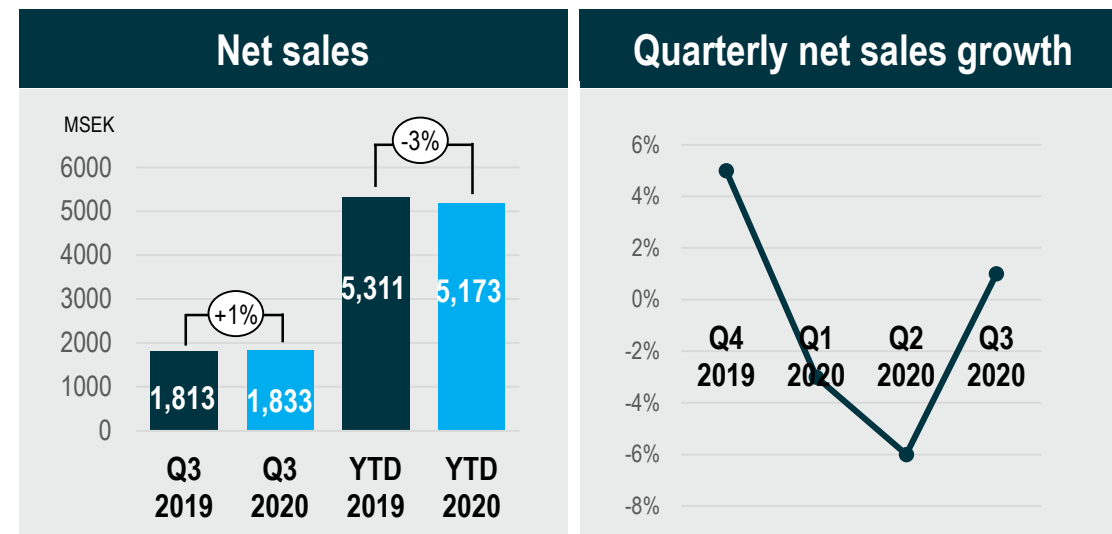
Order intake

Q3

- Increased 14%, adj. for currency effects 21%
- AirTech: Driven by lithium battery, pharma and Services. Weak order intake in Mist Elimination, Data Centers US and the non-core Commercial segment
- FoodTech: Strong growth in the swine segment in China. In Europe, demand was softer on the back of the Covid-19 outbreak. US had a weak development in the swine segment due to continued overcapacity in the market

YTD

- Stable increase, mainly driven by Industrials and Services in Q3 and continued strong growth in China for FoodTech
- Impact on demand from the Covid-19 outbreak was mixed in the first nine month



Net sales

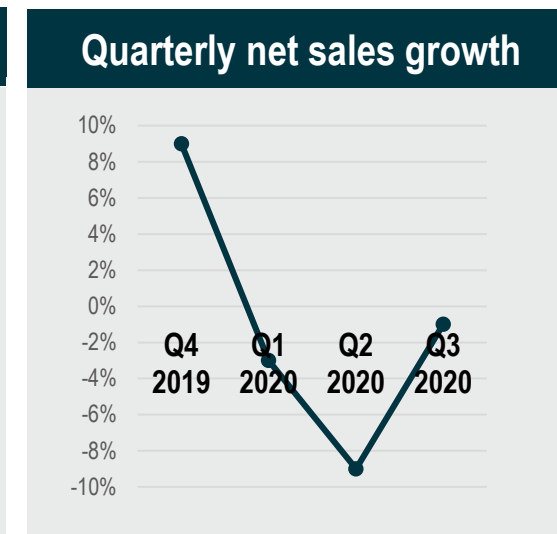
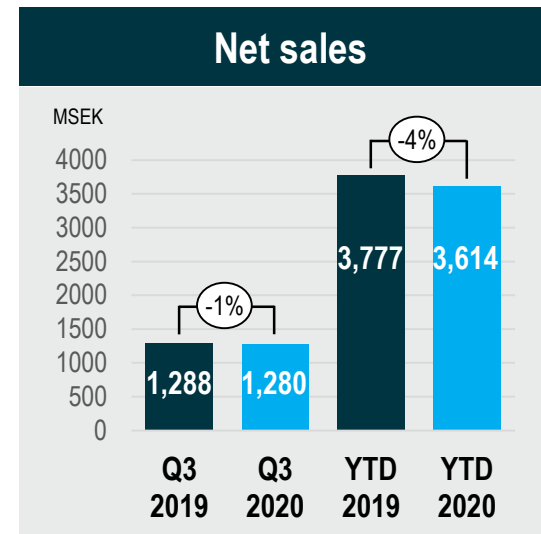
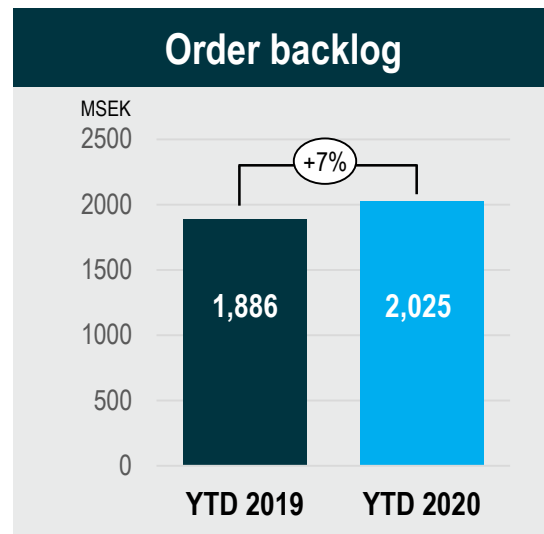
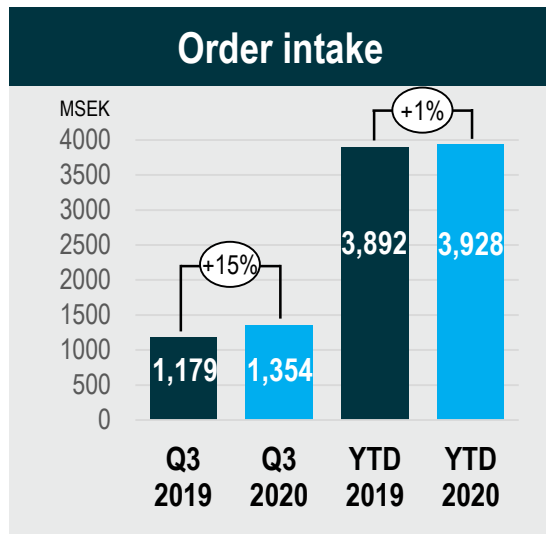
Q3

- Increased 1%, adj. for currency effects 8%. Services represented 13% of total net sales
- AirTech: Slight decline. Data Center US has a strong growth, offset by a decline in Europe and Asia. Services had a flat development.
- FoodTech: Growth driven by the swine segment in China. Offset by a weak development in Europe and Americas

YTD

- Decreased mainly due to weak development in Mist Elimination in AirTech and a weak development in Europe and Americas for FoodTech

AirTech: Strong growth in industrial segment



Order intake:

Q3

- Increased 15%, adj. for currency effects 22%
- Demand driven by the lithium battery and pharma sub-segment in the Industrial segment as well as Services, offset by weak development in Mist Elimination and Data Centers US
- As a consequence of AirTech exiting the non-core Commercial segment, this area had a weak order intake

YTD

- Weak development in Mist Elimination, partly offset by a strong development in Data Centers US, lithium batteries, food, pharma and services

Net sales:

Q3

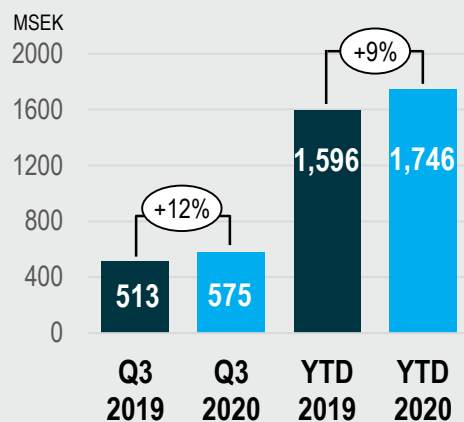
- Declined -1%, adj. for currency effects 6%
- Data Center US has a strong growth in the quarter, offset by a decline in Europe as well as Asia. Services had a flat development in the quarter
- Weak development in Mist Elimination. Also, Industrials weak in Europe and Asia, impacted by the Covid-19 outbreak

YTD

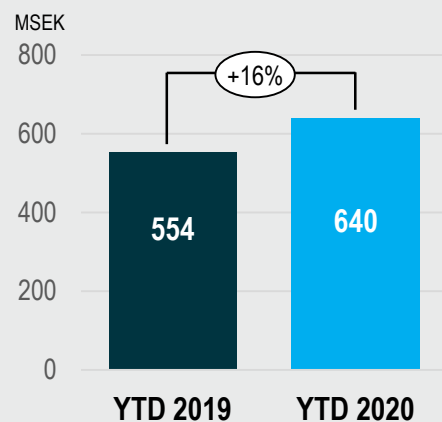
- The decrease was mainly due to a weak development in Mist Elimination and Industrials, partly offset by a strong growth in Data Centers US

FoodTech: Strong growth in China

Order intake



Order backlog



Order intake:

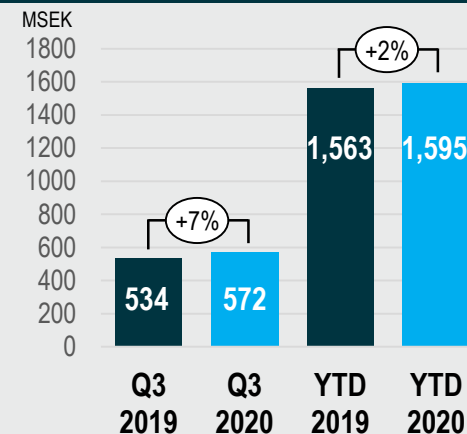
Q3

- Increased by 12%, adj. for currency effects 20%
- Strong increase in the swine segment in China where investments in sustainable production capacity in China continued to increase.
- Europe had softer order intake on the back of Covid-19 outbreak.
- In Americas, the US had a weaker development mainly due to a decline in the swine segment due to overcapacity.

YTD

- The increase mainly because of a very good development of order intake in in the swine and broiler segment in China. Weak development in Europe, despite a good development in Russia. Americas weak mainly due the swine segment.

Net sales



Net sales:

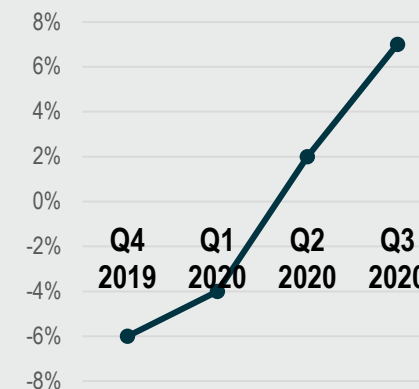
Q3

- Increased by 7%, adj. for currency effects 14%
- Increase because of a good growth in China with a strong development in the swine segment.
- The US had a negative development especially in the swine segment where we still see an overcapacity in the market.
- The lingering Covid-19 outbreak had a continued negative impact on demand in both Americas and Europe in the quarter.

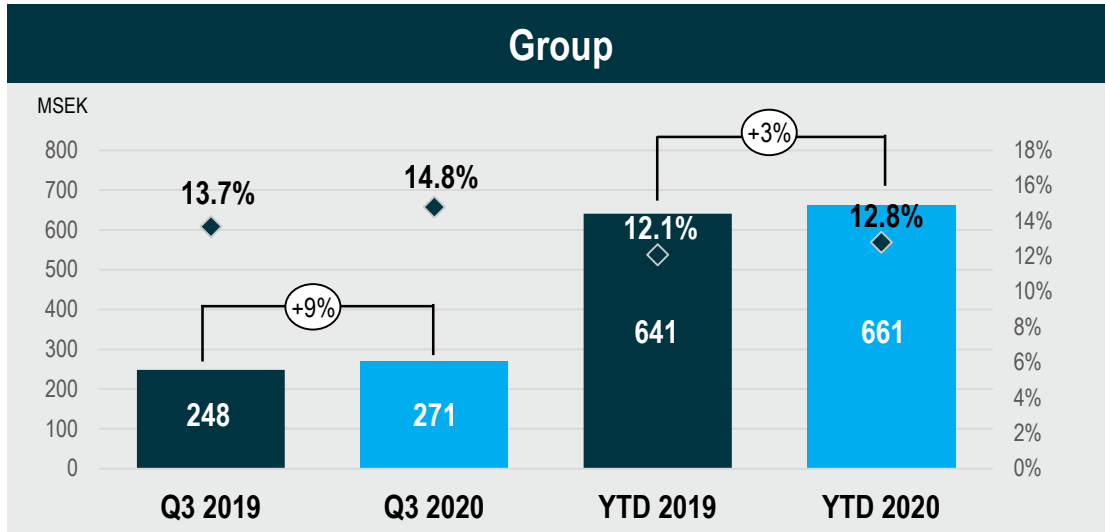
YTD

- Increase because of good growth in Asia, offset by a decline in the Americas and Europe.

Quarterly net sales growth



Improved adjusted EBITA Q3 2020



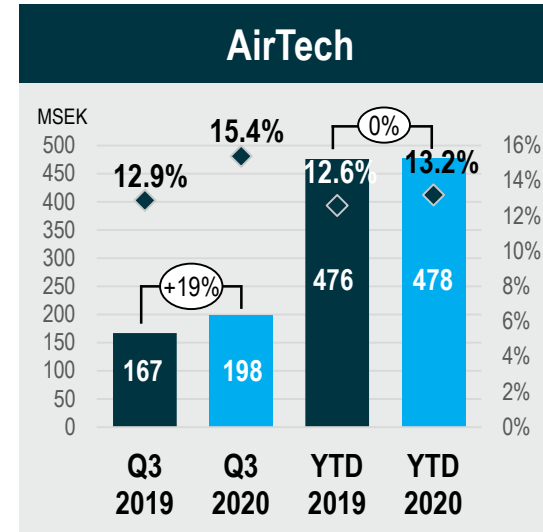
Adjusted EBITA:

Q3

- Improved adj. EBITA-margin because of:
 - Strengthened gross margin in business area FoodTech driven by continued efficiency improvements
 - Active mitigation of the effects from the Covid-19 outbreak
 - Strong focus on cost control, leading to low indirect costs

YTD

- Improved mainly because of efficiency improvements and lower indirect costs

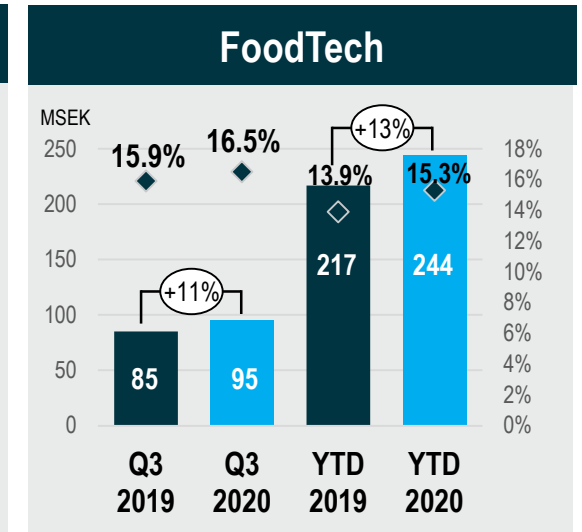


AirTech:

- Despite slightly lower net sales, strong margin improvement in both Q3 and YTD. Driven by a stable gross margin, efficiency improvements and continued lower indirect costs

FoodTech:

- Good margin improvement in Q3 and YTD, driven by increased sales, a slightly improved gross margin and lower indirect costs



Delivering on customer offering and footprint optimization

Status third quarter:

- Implementation progressing according to plan
- Preparation for execution on-going
- MSEK 17 has been realized

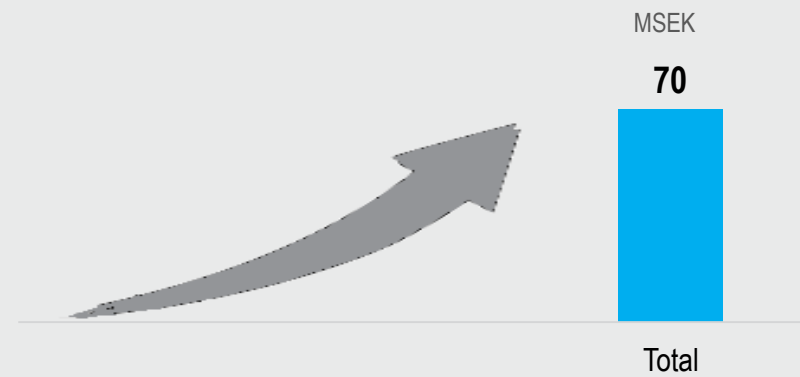
Sharpening measures:

- Measures announced in June 2020 aiming at sharpening the customer offering and footprint optimization
- Costs and expenses estimated at total MSEK 188
 - MSEK 136 incurred as IACs in June 2020. The remaining costs will be expenses as incurred
- Savings, as earlier communicated, estimated to about MSEK 70, to reach full annual run-rate end of 2021

Sharpening measures

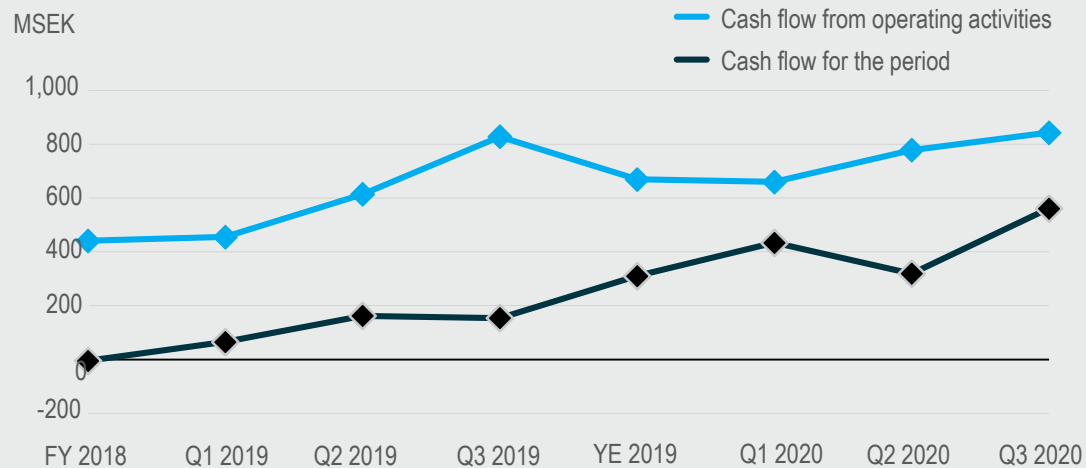
- Exit non-core part of the commercial business in the US within business area AirTech
- AirTech to expand Data Centers US manufacturing in Texas
- In the Netherlands, operations to be consolidated
- In addition, several other measures to be taken to ensure execution of the strategy

Run-rate savings end of 2021



Strong cash flow development

Cash flow development, LTM*



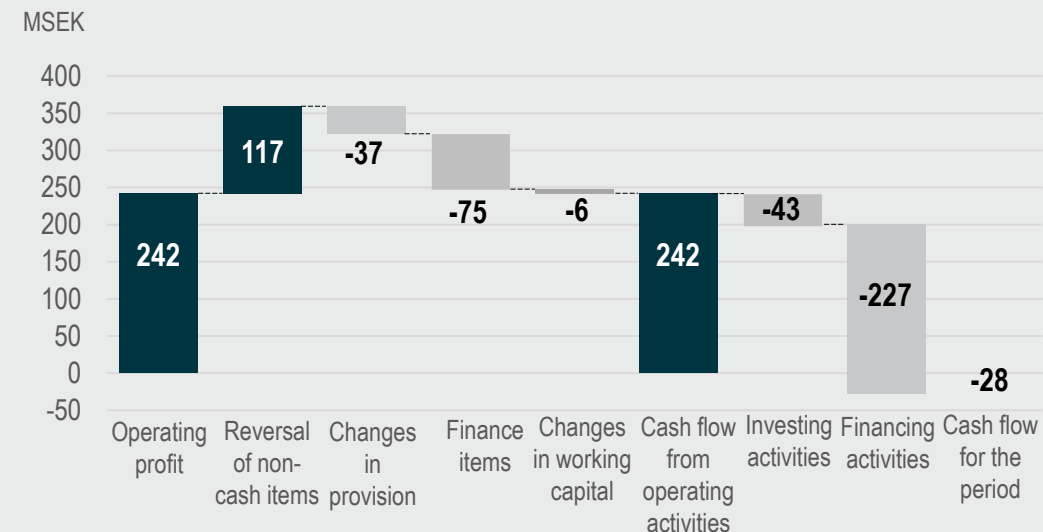
Cash flow development:

- Cash flow improved as a consequence of a good improvement in EBIT and the ongoing focus to improve operating working capital

*LTM = Last Twelve Months

Cash flow development includes discontinued operations

Cash flow for the period, Q3 2020

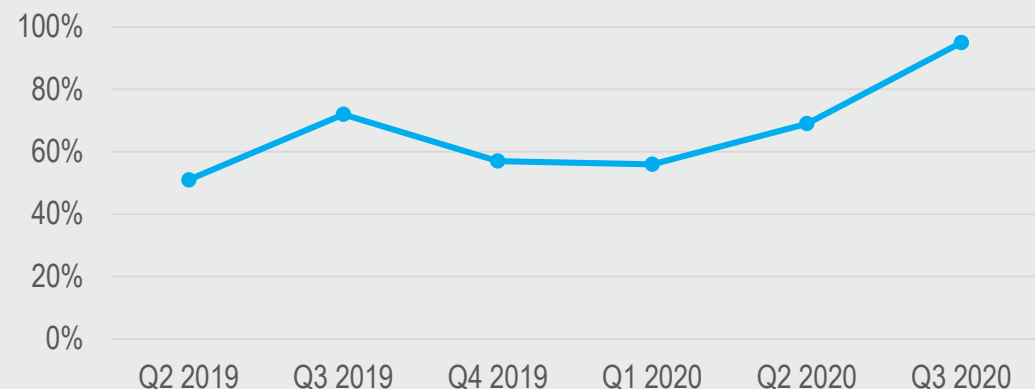


Cash flow for the period:

- Cash flow for the period amounted to MSEK -28 (-33)
- Negative mainly due to a repayment of outstanding RCF drawings of MSEK 150

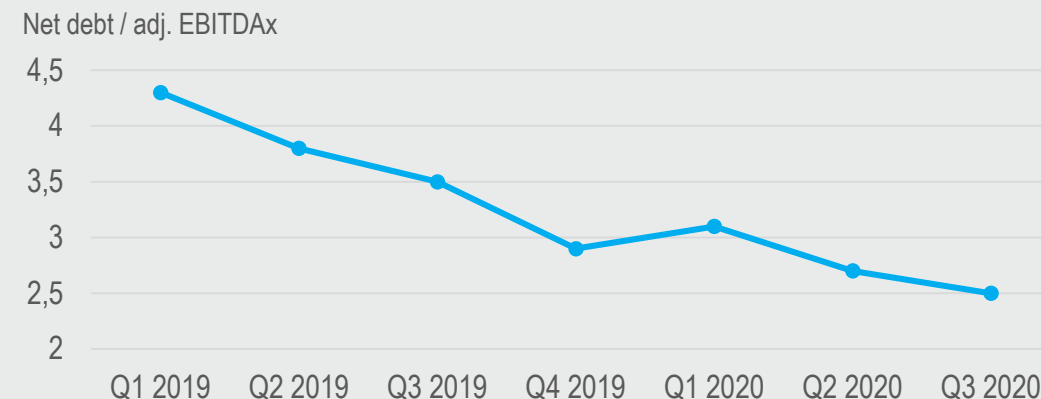
Leverage in line with mid-term financial target range

Cash conversion (OCF*/Adj. EBITA)



- Strong cash generation and cash conversion contributed to lower leverage
 - Leverage 2.5x end of Sept, decrease from 2.7x end of March
- Net debt decreased to MSEK 2,694 from MSEK 2,895 at end of June 2020 because of a continued positive cash flow development and a positive exchange rate effect on outstanding borrowings related to USD/SEK of MSEK 90

Development of leverage



- Create headroom for strategy implementation in times of a challenging business environment:
 - Munter's primary financing facilities consists of a term loan of MUSD 250 and a revolving credit facility (RCF) of MEUR 185
 - In July, Munters established a new MSEK 750 Revolving Credit Facility (RCF) secured by EKN, the Swedish Export Credit Agency, as a precautionary measure

*Operating cash flow
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Strategy execution yields good results

- Strong order intake driven by the industrials segment in Americas for AirTech and the swine segment in China for FoodTech
- Profitable growth, achieved through continued cost control and focus on efficiency improvement
- Strengthened financial position, leverage lowered
- Market improvement, but still low visibility of market demand due to lingering Covid-19 outbreak



We are well positioned in a long-term growing market driven by climate change, energy efficiency and digitalization

Questions & Answers