Q2 2022

Press release

27 July 2022

Record orders, margins below expectations, price and cost measures enacted to improve operational performance

Executive summary

- **Third sequential quarter of record orders received. Order book and pipeline remain strong fueled by pioneering solutions and scale up in local market coverage globally.**
- **Operating margins below expectations, hampered by high operating expenses, cost pressures due to inflation, logistics and continued supply chain disruption, in addition to slower ramp up of revenues than planned.**
- **EBIT target for year-end 2023 revised to 14-16% run-rate, allowing for 2% contingency buffer due to volatility in market conditions.**
- **Improved operational performance expected in 2H22. Immediate action to lower cost base through 5% reduction in workforce and actions taken to resolve bottlenecks. Targeting gradual ramp up of revenues, full benefit of pricing execution will lead to better price/cost coverage in coming quarters.**

Arni Oddur Thordarson, CEO of Marel:

"Second quarter results are mixed; on one hand we are seeing record orders received of EUR 472 million at new price/cost levels that will support profitability going forward, while on the other hand revenues at EUR 397 million and EBIT 6.3% were below expectations.

As stated in the preliminary Q2 2022 results issued last week, we are taking immediate action to lower our cost base with a 5% reduction of our global workforce. This kind of decision is always difficult, and we will do our best to assist affected employees.

We have pioneering solutions, services and software that are key enablers in helping confront the current challenges faced by the food value chain which include inflation, labor scarcity and rising complexity. While continuously innovating to maintain our leadership in the industry, we proactively moved forward in the middle of the pandemic and ramped up sales and service coverage around the world ahead of the growth curve. We also decided to meet our customers in person and demonstrate our leadership at leading tradeshows in the quarter, where our poultry, meat and fish industries introduced over 25 new solutions that automate, digitize, and optimize food processing sustainably. Sales and marketing cost is peaking at 14% in second quarter and will move towards the 2023 target of 12%.

We have actively raised prices in recent quarters. In hindsight we were too late to raise prices when faced with the inflationary environment last year. The all-time high orders reflect our strong brand and market position, being able to pass on costs in an inflationary environment that demands more automation and sustainable use of raw materials.

In light of the volatility in current market conditions, we have revised our year-end 2023 EBIT target to a run-rate of 14-16% from the previously stated 16%. There is full focus and firm commitment to drive the performance improvements needed, centered on actions around productivity, procurement, and pricing. Pricing, both in the actions already enacted and in our ongoing pricing discipline, will filter into a higher revenue base. To increase productivity and ramp up revenues, we are refining our operating model to create a scalable growth platform with a sustainable cost structure. Stepping up short-term profitability and robust cash flow are key elements to fuel our ambition to become the one-stop-shop in this highly attractive growth industry and support our target of 50% of total revenues deriving from the recurring service and software business. The acquisition of Wenger, a global leader in processing solutions for the high growth markets of pet food, plant-based proteins, and aqua feed, is a platform investment which will form the fourth segment in Marel's business model. The acquisition is expected to be margin and earnings enhancing."

Key figures (EUR m)

2Q22	2Q21	Δ YoY	As per financial statements	1H22	1H21	Δ YoY
397.3	327.5	21.3%	Revenues	768.9	661.5	16.2%
133.1	118.6	12.2%	Gross profit	267.1	243.0	9.9%
33.5%	36.2%		Gross profit as a % of revenues	34.7%	36.7%	
25.0	38.6	-35.2%	Adjusted result from operations (Adjusted EBIT)	56.3	76.6	-26.5%
6.3%	11.8%		EBIT[1] as a % of revenues	7.3%	11.6%	
33.4	49.8	-32.9%	EBITDA	75.0	97.1	-22.8%
8.4%	15.2%		EBITDA as a % of revenues	9.8%	14.7%	
(10.2)	(5.6)	82.1%	Non-IFRS adjustments	(16.5)	(13.5)	22.2%
14.8	33.0	-55.2%	Result from operations (EBIT)	39.8	63.1	-36.9%
3.7%	10.1%		EBIT as a % of revenues	5.2%	9.5%	
9.6	23.3	-58.8%	Net result	31.3	44.5	-29.7%
2.4%	7.1%		Net result as a % of revenues	4.1%	6.7%	
471.8	371.3	27.1%	Orders Received	893.5	740.7	20.6%
			Order Book[2]	774.5	499.1	55.2%

2Q22	2Q21	Cash flows	1H22	1H21
18.4	77.9	Cash generated from operating activities, before interest & tax	51.1	138.1
10.4	67.3	Net cash from (to) operating activities	38.6	122.2
(501.4)	(20.7)	Investing activities	(530.4)	(52.4)
523.4	(63.6)	Financing activities	506.7	(67.0)
32.4	(17.0)	Net cash flow	14.9	2.8

Financial position at 31/12	30/06 2022	31/12 2021
Net Debt (Including Lease liabilities)	770.0	199.2
Operational working capital[3]	164.6	74.6

2Q22	2Q21	Key ratios	1H22	1H21
		Current ratio	1.2	1.0
		Quick ratio	0.7	0.6
		Return on equity[4]	6.1%	9.3%
		Leverage[5]	3.8	0.8
		Number of outstanding shares (millions)	753.2	753.8
		Market capitalization in EUR billion based on exchange rate at end of period	3.3	4.5
1.27	3.14	Basic earnings per share in EUR cents	4.14	5.95

Q2 2022 Financial highlights

- Orders received were EUR 471.8m (1Q22: 421.7m, 2Q21: 371.3m).
- Order book was EUR 774.5m (1Q22: 619.1m, 2Q21: 499.1m).
- Revenues were EUR 397.3m (1Q22: 371.6m, 2Q21: 327.5m).
- EBIT[1] was EUR 25.0m (1Q22: 31.3m, 2Q21: 38.6m), translating to an EBIT[1] margin of 6.3% (1Q22: 8.4%, 2Q21: 11.8%), positive contribution from acquisitions in the quarter.
- Acquisitions of Wenger and Sleegers in the quarter positively impact orders received (16.9m), revenues (12.7m) and order book (EUR 80.9m).
- Net result was EUR 9.6m (1Q22: 21.7m, 2Q21: 23.3m). Basic earnings per share (EPS) were EUR 1.27 cents (1Q22: 2.87 cents, 2Q21: 3.14 cents).
- Cash flow from operating activities before interest and tax was EUR 18.4m (1Q22: 32.7m, 2Q21: 77.9m). Free cash flow amounted to EUR -7.9m (1Q22: 14.6m, 2Q21: 54.6m), due to lower EBITDA and inventory buildup.
- Net debt/EBITDA was 3.8x (1Q22: 1.2x, 2Q21: 0.8x) following acquisition of Wenger, focus on deleveraging to return to targeted capital structure of 2-3x net debt to EBITDA.

H1 2022 Financial highlights

- Orders received were EUR 893.5m (1H21: 740.7m).
- Revenues were EUR 768.9m (1H21: 661.5m).
- EBIT[1] was EUR 56.3m (1H21: 76.6m), translating to an EBIT[1] margin of 7.3% (1H21: 11.6%).
- Net result was EUR 31.3m (1H21: 44.5m).
- Basic earnings per share (EPS) were EUR 4.14 cents (1H21: 5.95 cents).
- Cash flow from operating activities before interest and tax in the first six months was EUR 51.1m (1H21: 138.1m).
- Free cash flow at EUR 6.7m (1H21: 100.1m).

Notes: [1] Operating income adjusted for PPA related costs, including depreciation and amortization, and acquisition related costs. [2] Including acquired order book of 81m from Wenger and Sleegers. [3] Trade receivables, inventories, net contract assets & contract liabilities, trade payables. [4] Net result (annualized) / average of total equity. [5] Net debt (including lease liabilities) / Pro-forma LTM EBITDA.

Financial performance

Wenger, a strategic platform acquisition successfully closed in Q2

- The acquisition of Wenger, a global leader in extrusion and dryer solutions focused on pet food, plant-based proteins and aqua feed, was successfully closed for a total investment of USD 540m on 9 June 2022.
- A platform investment into new and attractive growth markets. Led by Jesper Hjortshøj, former VP Business Development and VP Prepared Foods, this fourth business segment is reported under other in 2Q22, and as of 3Q22 will be part of segment reporting, alongside poultry, meat and fish.
- With over 60% of revenues from pet food, the company has a global leading position within their focus market segments and Wenger has in recent years made its mark on the fast-growing, plant-based protein consumer market with best-in-class solutions positioned right at the center point of the value chain. Wenger enjoys a strong foothold in the North American market and over 40% of revenues are recurring service and maintenance revenues. Wenger's revenues have organically grown approximately 5% 2017-2021; revenues in 2022 are expected to be USD 190 million and EBITDA is expected to be USD 32-35 million.
- The two companies have complementary technology and product portfolios, where Marel will add capabilities, such as weighing, sorting, inspection, low-pressure forming and thermal treatment to strengthen the value proposition.
- In the 21 days since closing the transaction, Wenger accounted for around 2.9% of Marel's total revenues in 2Q22.

Third sequential quarter of record orders received

- The demand for Marel's pioneering solutions is on the rise evidenced by record orders received and a very strong pipeline. Need for automation and digitalization investments in food processing is accelerated by the pandemic, geopolitical tensions, rising inflation and labor scarcity.
- Third sequential quarter of record orders received in 2Q22 of EUR 471.8m up 11.9% QoQ and 27.1% YoY (1Q22: 421.7m, 2Q21: 371.3m). Strong first half of the year with combined orders of EUR 893.5m, up 20.6% from EUR 740.7m in 1H21.
- Newly acquired Wenger and Sleegers contributed EUR 16.9m to orders received in the quarter.
- Demand from the poultry and fish industries is at a strong run rate, while the outlook is softer for meat.

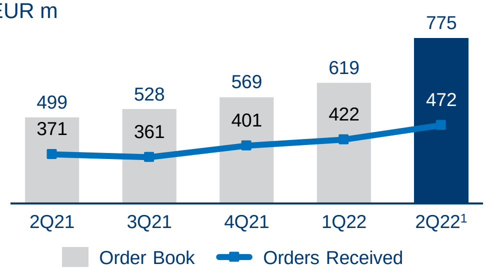
Strong order book of EUR 775m

- The strong order book at an all-time high or EUR 774.5m at the end of June, up 25.1% QoQ and 55.2% YoY (1Q22: 619.1m, 2Q21: 499.1m), and represents 52.8% of 12-month trailing revenues.
- The acquired order book from Wenger and Sleegers amounted to EUR 80.9m.
- The book-to-bill ratio in the quarter was 1.19, compared to an average of 1.13 in the past four quarters (3Q21-2Q22), while 1.16 in 1H22 (1H21: 1.12).

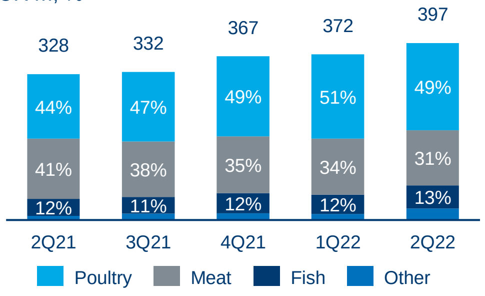
Slower ramp up of revenues than planned and actions in place

- Revenues in the quarter totaled EUR 397.3m, up 6.9% QoQ and 21.3% YoY (1Q22: 371.6m, 2Q21: 327.5m), and revenues in 1H22 were EUR 768.9m (1H21: 661.5m).
- Wenger and Sleegers contributed EUR 12.7m to revenues in the quarter.
- Organic revenue growth QoQ was 3.5% in 2Q22 and 16.1% YoY, below targets when compared to average orders received in past 3-4 quarters.
- Market conditions remained challenging due to continued supply chain disruption and inflation at high levels resulting in missing parts and inefficiencies in manufacturing, as well as higher costs associated with timely delivery and slower ramp up of revenues.
- Marel is targeting gradual step-up in revenue growth in 2H22 and into 2023 on the back of a strong order book. Full benefit of pricing actions already enacted expected to improve price/cost coverage in coming quarters.
- Aftermarket revenues, comprised of services and spare parts, was at 41% of total revenues in the quarter (1Q22: 40%, 2Q21: 40%) and 40% in 1H22 (1H21: 40%). Productivity in aftermarket not fully back to pre-pandemic levels.
- Spare parts were at a record level for the fourth sequential quarter, continued full focus on automating and digitizing the spare parts delivery model and shortening lead times.
- Actions to ramp up revenues include setting up cross-functional teams for critical suppliers, innovating to engineer around switching parts and suppliers where needed. High focus on ramp up in poultry and salmon.

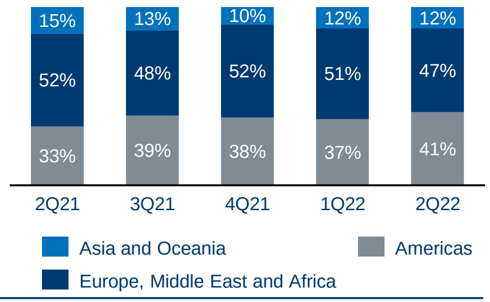
Order book and orders received
EUR m



Revenues by industry
EUR m, %



Revenues by geography
%



Notes: [1] Including acquired order book of 81m from Wenger and Sleegers.

Financial performance

A busy quarter of customer engagement and trade shows, gradual ramp up of revenues to provide better cost coverage

- Gross profit margin was 33.5% in the quarter (1Q22: 36.1%, 2Q21: 36.2%) and 34.7% in 1H22 (1H21: 36.7%). Gross profit was EUR 133.1m in the quarter (1Q22: 134.0m, 2Q21: 118.6m) and EUR 267.1m in 1H22 (1H21: 243.0m).
- Lower gross margin a result of price/cost time lag, less volume than targeted, as well as one-off costs related to improvement projects, e.g. transformational initiatives in the end-to-end spare parts journey, with biggest impact from well executed split of warehouses between spare parts and parts for manufacturing.
- A new and digitalized global distribution center, strategically located in Eindhoven, Netherlands, will become operational in 2024 and shorten lead times to customers, to improve scale and operational efficiency.
- SG&A of 21.4% (1Q22: 21.5%, 2Q21: 18.4%), compared to YE23 target of 18.0%. SG&A expenses were 21.5% in 1H22 (1H21: 19.0%).
- Sales and marketing (S&M) expenses were at a level of 13.9% of revenues in 2Q22 (1Q22: 13.8%, 2Q21: 12.2%), compared to 11.7% of orders received. Customer engagement high in the quarter, including trade show participation at Barcelona (fish), IFFA (meat) and VIV (poultry) amongst others, showcasing pioneering solutions that underpin Marel's leadership in the industry. S&M expenses were 13.9% in 1H22 (1H21: 12.1%). S&M costs targeted to be lower in 2H22, clear target to reach 12.0% in S&M costs by YE23.
- General administrative (G&A) expenses were 7.5% of revenues in the quarter (1Q22: 7.7%, 2Q21: 6.2%), impacted by one-off consultancy costs and implementation of efficiency initiatives aimed at lowering G&A costs, e.g. shared services. G&A was 7.6% of revenues in 1H22 (1H21: 6.9%). Cost saving initiatives in motion to reach YE23 targets.
- Innovation costs at 5.8% in 2Q22 (1Q22: 6.1%, 2Q21: 6.1%) and 6.0% in 1H22 (1H21: 6.2%), against a target of 6.0%.
- EBIT[1] in the quarter was EUR 25.0m (1Q22: 31.3m, 2Q21: 38.6m), translating to an EBIT[1] margin of 6.3% (1Q22: 8.4%, 2Q21: 11.8%). EBIT[1] in 1H22 was EUR 56.3m (1H21: 76.6m), translating to an EBIT[1] margin of 7.3% (1H21: 11.6%).
- Marel does not adjust results for non-recurring costs, except for PPA and acquisition related costs.

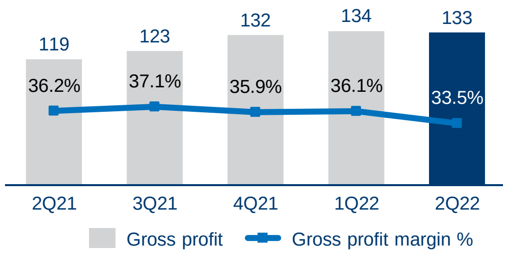
Enacted pricing actions and volume upside filtering through in coming 3-4 quarters, will support improved price/cost coverage

- Marel is taking firm and immediate action to improve profitability through higher revenues, price execution and lower costs.
- Marel has actively raised prices, time lag varies by business mix (aftermarket ~6-8 weeks, standard equipment ~3-6 months, and larger projects ~9-12 months).
- To lower costs a decision has been made to reduce headcount by 5% across the global Marel workforce, resulting in estimated annualized cost saving of EUR 20m, with majority of around EUR 10m of one-off cost to be accounted for in 3Q22.

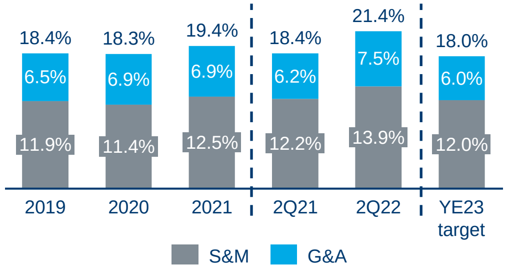
Revised EBIT target, full focus on margin expansion actions and growth levers to reach year-end 2023 targets

- EBIT target for year-end 2023 revised to 14-16% run-rate, allowing for 2% contingency buffer due to volatility in market conditions.
- A revised EBIT bridge to 14-16% EBIT run-rate, entails actions already enacted expected to positively impact EBIT margin by 2% from executed pricing action (filtering through in next 3-4 quarters) and 1.5% from announced reduction in workforce (cost reduction fully visible by YE22).
- Further initiatives centered around price/cost discipline, OPEX efficiency, and ramp up of revenues, which are expected to add 1.5%, 2% and 3% respectively to margin expansion towards the YE23 run-rate target of 14-16% EBIT (see graph to the right).
- The strong order book and the full benefit of pricing actions will support gradual ramp up in revenues and improve price/cost coverage and operational performance in the second half of 2022.
- The pipeline remains strong fueled by pioneering solutions and scale up in local sales and service coverage globally initiated ahead of the growth curve. Demand from the poultry and fish industries is on a strong run rate, while the outlook for meat is softer and will impact the industry mix.
- After a period of significant ramp up in market coverage ahead of the growth curve, focus now shifting to further harvest off of from built up sales force and taking decisive steps to streamline and synergize the back office.
- Non-recurring costs will continue in 2H22, as we refine the operating model to create a more efficient and scalable growth platform, with a sustainable cost structure and focus on performance and accountability.

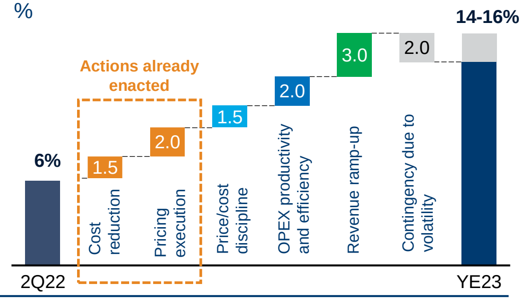
Gross profit
EUR m, %



Sales, general and administration costs
%



Revised EBIT bridge to year-end 2023 target
%



Notes: [1] Operating income adjusted for PPA related costs, including depreciation and amortization, and acquisition related costs.

Financial performance

Continued investment to position our business for future growth

- To drive the performance improvements needed to reach the 2023 financial targets, Marel will ensure the size and scale of our operations reflect current market realities, and at the same time support long-term profitability and position our business for future growth.
- The medium to long term outlook for the industry is unchanged and therefore Marel will continue to invest in the platform, including digital solutions, spare parts handling and streamlining the back end.
- Continued focus on automating and digitizing the manufacturing platform, supply chain and aftermarket to shorten lead times and support the 2026 target of 50% of revenues coming from service and software.
- Cash capital expenditures excluding R&D investments to remain on average 4-5% of revenues in 2021- 2026, thereafter, returning to more normalized levels.

Cash flow colored by continued inventory buildup and mitigating supply chain challenges

- Operating cash flow was EUR 18.4m in the quarter (1Q22: 32.7m, 2Q21: 77.9m). For the first six months of the year, operating cash flow was EUR 51.1m (1H21: 138.1m).
- Supply chain issues have escalated in recent quarters, whereby there are still delays in availability of parts impacting operations. Strong balance sheet used to mitigate supply chain challenges.
- Continued inventory buildup in the quarter, tying up capital and cash flow, to ensure timely delivery of equipment and spare parts to customers. Inventories in the quarter increased by EUR 54.1m due to the acquisitions of Wenger and Sleegers, totaling at EUR 91.6m.
- Cash CAPEX excluding R&D investments in 2Q22 were EUR 14.2m (1Q22: 7.7m, 2Q21: 10.0m) or 3.6% of revenues.
- Free cash flow was EUR -7.9m in the quarter (1Q22: 14.6m, 2Q21: 54.6m), was impacted by low operational performance, continued inventory buildup and investments. For the first six months of the year, free cash flow was EUR 6.7m (1H21: 100.1m).

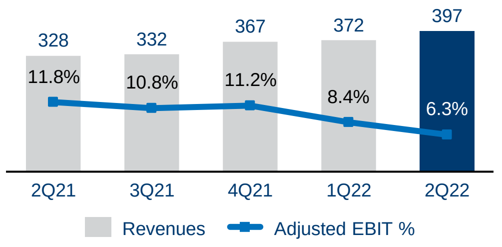
Share buyback program and dividend

- To meet Marel's obligations under share incentive programs with employees, a share buyback program was initiated for up to 4,000,000 shares on Nasdaq Iceland, or about 0.52% of the total issued share capital in the Company, and up to 1,000,000 shares on Euronext Amsterdam, or about 0.13% of the total issued share capital.
- As part of the buyback program, Marel has purchased 4.1 million shares (EUR 17.6 million) in the period 1 June 2022 to 30 June 2022.
- The buyback program on Nasdaq Iceland was in effect from 1 June 2022 and was discontinued after 1 July 2022, when the maximum number of shares to be purchased was reached. The buyback on Euronext Amsterdam is in effect from 1 June 2022 until and including 2 September 2022.
- The AGM agreed to a dividend of 5.12 euro cents per share for the operational year 2021 which was paid out in 1Q22. The total dividend payment in 2022 was EUR 38.7 million, corresponding to approximately 40% of net results for the operational year 2021 (2021: 40%, 2020: 40%), and is in line with Marel's targeted capital allocation and dividend policy.

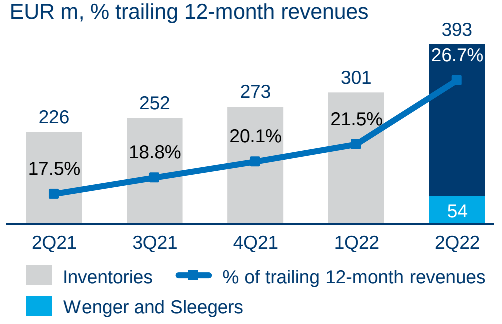
Leverage temporarily above target of 2-3x

- Leverage ratio was 3.8x at the end of 2Q22 (1Q22: 1.2x, 2Q21: 0.8x) due to the acquisition of Wenger with vast majority in cash consideration, FX impact from stronger USD resulting in higher debts in EUR, in addition to overall lower EBITDA than expected.
- Focus going forward on deleveraging to reach targeted capital structure of 2-3x net debt to EBITDA.
- On 27 April 2022, Marel signed a new EUR 150.0m multi-currency bridge facility, which has a 12-month term and two six-month extension options at Marel's discretion.
- In 2Q22, Marel drew USD 530.0m on its committed revolving facility in order to finance the Wenger acquisition and utilized the full EUR 150.0m to provide operational liquidity. EUR 100.0m was repaid on the revolving facility in the quarter.
- Committed liquidity of EUR 237.3m at the end of 2Q22, including fully committed all-senior funding in place until 2025.

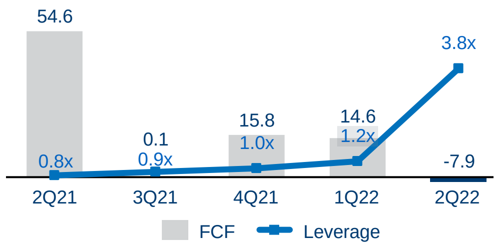
Revenues and adjusted EBIT[1]
EUR m, %



Inventory level
EUR m, % trailing 12-month revenues



Free cash flow and leverage
EUR m (left axis) and x net debt/EBITDA (right axis)

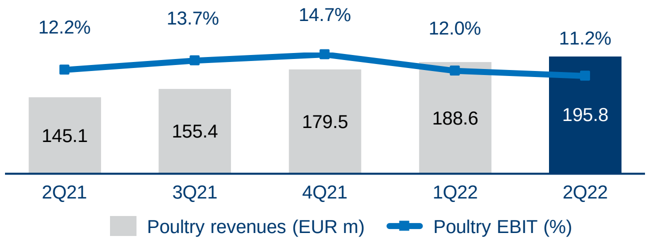


Notes: [1] Operating income adjusted for PPA related costs, including depreciation and amortization, and acquisition related costs.

Industry performance

Marel Poultry

2Q22: 49% of total revenues with 11.2% EBIT[1] margin



2Q22	2Q21	Change		1H22	1H21	Change
195.8	145.1	34.9%	Revenues	384.4	304.2	26.4%
21.9	17.7	23.7%	EBIT[1]	44.6	43.5	2.5%
11.2%	12.2%		EBIT[1] as a % of revenues	11.6%	14.3%	

Record orders received and clear path towards historical profitability.

Orders received for Marel Poultry were at an all-time high in 2Q22, driven by the automation need within the industry in line with rising costs for energy and labor. Very good mix in orders received in the quarter with growth in both primary, secondary and consumer-ready solutions. Large greenfield orders from the Middle East and Balkan region. Marel presented its new cutting-edge technology for poultry processors at VIV Europe, e.g. Athena, breast deboning process, and Nuova-I, intelligent evisceration solution which enables optimal processing with deviant products sizes or shapes. Strong pipeline and outlook for 2H22, supporting stronger volume going forward with a favorable product mix.

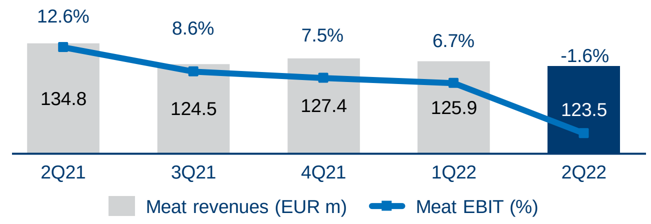
Revenues in 2Q22 for Marel Poultry were EUR 195.8m, up 34.9% YoY (2Q21: 145.1m), focus on ramp up in coming quarters in line with high orders received and order book.

EBIT[1] margin in 2Q22 was 11.2% (2Q21: 12.2%) impacted by margin pressures due to inefficiencies related to supply chain bottlenecks and time lag in price/cost as price increases filter through.

Management targets short-term EBIT margin expansion for Marel Poultry. On the back of a healthy order book and good mix in pipeline, volume is expected to gradually improve throughout the year with foreseen better price and product mix, resulting in gradual improvements in operational performance.

Marel Meat

2Q22: 31% of total revenues with -1.6% EBIT[1] margin



2Q22	2Q21	Change		1H22	1H21	Change
123.5	134.8	-8.4%	Revenues	249.4	260.6	-4.3%
-2.0	17.0	-111.8%	EBIT[1]	6.4	26.8	-76.1%
-1.6%	12.6%		EBIT[1] as a % of revenues	2.6%	10.3%	

Operational performance at unacceptable levels in the quarter, impacted by lockdowns in China, geopolitics, and sanctions. Sales in consumer-ready solutions below targets. High focus on making necessary changes to achieve improved operational performance.

High inflationary environment and focus on sustainability are shifting consumer preferences towards poultry, fish, and plant-based at the cost of meat.

High focus and commercial efforts in selling pioneering solutions that are head on with current challenges in the meat industry. Marel presented 15 new products and unique solutions for the meat industry at IFFA trade show. Acquisition of Sleegers Technique, announced on 22 April, will benefit sales in the consumer-ready and prepared foods segments.

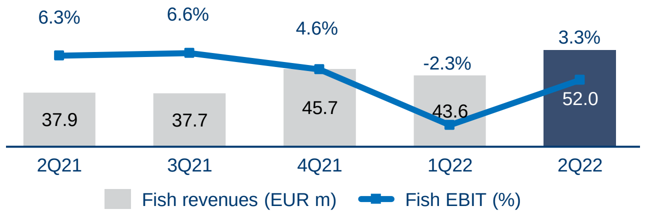
Orders received in 2Q22 for Marel Meat were soft, in particular in primary projects, due to lockdowns in China, geopolitics and sanctions, as well as rising costs in an inflationary environment.

Revenues in 2Q22 for Marel Meat were at EUR 123.5m, down 8.4% YoY (2Q21: 134.8m) due to lower orders received, unbalanced load between factories and inefficiencies related to supply chain bottlenecks.

EBIT[1] margin in 2Q22 of -1.6% (2Q21: 12.6%).

Marel Fish

2Q22: 13% of total revenues with 3.3% EBIT[1] margin



2Q22	2Q21	Change		1H22	1H21	Change
52.0	37.9	37.2%	Revenues	95.6	77.7	23.0%
1.7	2.4	-29.2%	EBIT[1]	0.7	4.5	-84.4%
3.3%	6.3%		EBIT as a % of revenues	0.7%	5.8%	

Orders received at record levels, high focus on ramping up revenues leading to a step up in operational performance.

Orders received in 2Q22 for Marel Fish were strong, with significant organic growth. Customers are investing in larger solutions and continued automation investments in the salmon industry where prices are high and appetite for investment in automation is good. Continued strong pipeline for larger projects in salmon, while momentum in whitefish gradually picking up, and high conversion from pipeline into orders expected in coming quarters.

Revenues for Marel Fish in 2Q22 were EUR 52.0m (2Q21: 37.9m), up 37.2% YoY, although below target. Full focus on resolving part availability in partnership with suppliers and increasing supply chain efficiency.

EBIT[1] margin in 2Q22 was 3.3% (2Q21: 6.3%). Integration of newly acquired entities on fast track and coloring operational performance in the quarter and this year.

Management continues to target medium and long-term EBIT margin expansion for Marel Fish. Order book targeted to convert faster into revenues in addition to high focus on improved productivity and cost efficiency.

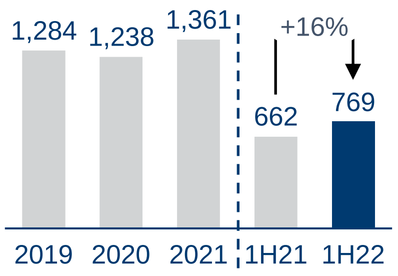
Notes: [1] Operating income adjusted for PPA related costs, including depreciation and amortization, and acquisition related costs.

Key figures and outlook

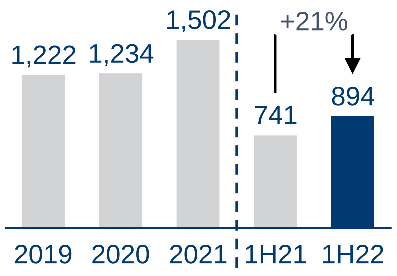
Outlook

- Marel has revised its year-end 2023 financial target to a run-rate of 14-16% EBIT, from the previously stated 16%, allowing for 2% contingency buffer due to volatility in market conditions. Other 2023 financial targets are unchanged, gross profit of around 40%, SG&A of around 18% and innovation at the 6% strategic level.
- Market conditions remain challenging due to continued supply chain disruption and inflation at high levels resulting in inefficiencies in manufacturing and aftermarket, and higher costs associated with timely delivery. Marel is targeting a gradual build-up of revenues and operational performance in the second half of 2022, based on a strong order book with better price/cost coverage in new orders. Marel is experiencing strong demand for its solutions, software and services driven by an accelerating focus on automation, robotics technology and digital solutions that support sustainable food processing.
- In the period 2017-2026, Marel is targeting 12% average annual revenue growth through market penetration and innovation, complemented by strategic partnerships and acquisitions.
  - Maintaining solid operational performance and strong cash flow is expected to support 5-7% revenue growth on average by acquisition.
  - Marel's management expects average annual market growth of **4-6% in the long term**. Marel aims to grow organically faster than the market, driven by innovation and growing market penetration.
  - Management believes that market growth will be at a level of **6-8% in the medium term** (2021-2026), due to catch up effect from the past five years and a very strong tailwind in the market.
  - Recurring revenues to reach 50% of total revenues by YE26, including software and services.
- Marel's management expects basic EPS to grow faster than revenues.
- Cash capital expenditures excluding R&D investments are expected to increase to on average 4-5% of revenues in 2021-2026, thereafter, returning to more normalized levels
- Growth is not expected to be linear but based on opportunities and economic fluctuations. Operational results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and timing of deliveries of larger systems.

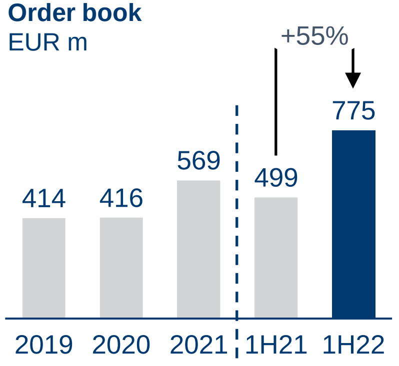
Revenues
EUR m



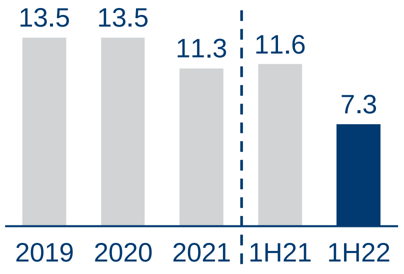
Orders received
EUR m



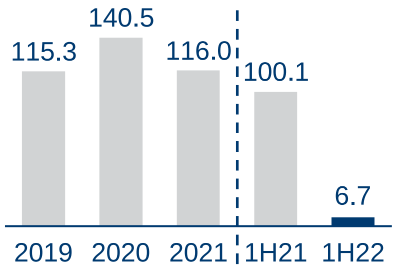
Order book
EUR m



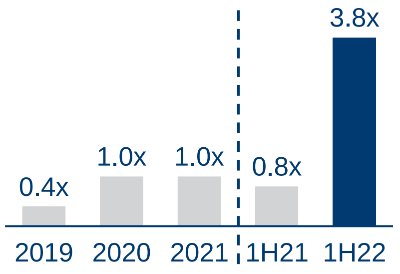
EBIT¹ margin
%



Free cash flow²
EUR m



Leverage
Net debt/EBITDA



Notes: [1] Operating income adjusted for PPA related costs, including depreciation and amortization, and acquisition related costs. [2] Free cash flow defined as cash generated from operating activities less taxes paid and net investments in PP&E and intangible assets.

Investor relations

Q2 2022 virtual investor meeting

On Thursday 28 July 2022, at 8:30 am GMT (10:30 am CET), Marel will host a virtual investor meeting where senior management will give an overview of the financial results and operational highlights in the second quarter of the year.

The virtual meeting will be webcast live on marel.com/webcast and a recording will be available after the meeting on marel.com/ir.

Members of the investment community can join the conference call at:

- IS: +354 800 7437 (PIN 65276904#)
- NL: +31 10 712 9162
- UK: +44 33 3300 9034
- US: +1 631 913 1422 (PIN 65276904#)

Contact us

Tinna Molphy

Marino Jakobsson

ir@marel.com

+354 563 8001

@Marel_IR / $MAREL

Upcoming investor events in 2022

Marel regularly engages with market participants during non-deal roadshows, equity sales briefings, conferences, and other events. Here are some of Marel's upcoming investor events in 2022:

- ING Benelux Europe Conference, London, 7 September
- Citi European Growth Conference, London, 7-8 September
- Kepler Cheuvreux Autumn Conference, Paris, 13-15 September

Upcoming trade shows and events in 2022

Marel regularly participates in exhibitions around the world where it showcases the company's innovative solutions. In addition, Marel hosts its own trade shows and KnowHows in the company's demonstration facilities. Here are some of Marel's upcoming events in 2022:

- IBIE in Las Vegas, USA, 18-21 Sept
- Polagra Tech in Poznan, Poland, 26-28 Sept
- CIMIE in Beijing, China, 20-24 Sept
- Conxemar in Vigo, Spain, 4-6 Oct
- China Fisheries and Seafood Expo, 26-28 Oct
- Marel Software Knowhow, dates to be confirmed

Financial calendar

Marel will publish its financial results according to the below financial calendar:

- 3Q22 – 2 November 2022
- 4Q23 – 8 February 2023
- AGM – 22 March 2023

Financial results will be disclosed and published after market closing of both Nasdaq Iceland and Euronext Amsterdam.

Disclaimer

Forward-looking statements

Statements in this press release that are not based on historical facts are forward-looking statements. Although such statements are based on management's current estimates and expectations, forward-looking statements are inherently uncertain. We therefore caution the reader that there are a variety of factors that could cause business conditions and results to differ materially from what is contained in our forward-looking statements, and that we do not undertake to update any forward-looking statements. All forward-looking statements are qualified in their entirety by this cautionary statement.

Market share data

Statements regarding market share, including those regarding Marel's competitive position, are based on outside sources such as research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Marel, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.