

Marel Q3 2016 Results

(All amounts in EUR)

Solid performance with 14.2% EBIT

- Revenue for Q3 2016 totaled 234.8m [Q3 2015: 189.1m]. On a pro forma basis, revenue in Q3 2015 was 229.7m.
- EBITDA for Q3 2016 was 41.5m or 17.7% of revenue [Q3 2015: Adj. EBITDA** 31.6m or 16.7% of revenue]. Pro forma adj. EBITDA** Q3 2015 was 41.5m or 18.0% of revenue.
- EBIT* for Q3 2016 was 33.4m or 14.2% of revenue [Q3 2015: Adj. EBIT** 24.2m or 12.8% of revenue]. Pro forma adj. EBIT** in Q3 2015 was 31.6m or 13.8% of revenue.
- Net result for Q3 2016 was 17.3m [Q3 2015: 14.7m]. Basic earnings per share were 2.42 euro cents in Q3 2016 [Q3 2015: 2.07 euro cents].
- Cash flow from operating activities before interest and tax in Q3 2016 was 33.2m [Q3 2015: 29.7m]. Net debt/EBITDA is 2.6x at the end of Q3 2016.
- The order book was at 305.1m at the end of Q3 2016 compared with 306.5m at the end of Q2 2016 [Q3 2015: 187.7m]. On a pro forma basis the order book at end of Q3 2015 was 303.6m.

Marel continues on a good track and reports solid performance in Q3 2016. Revenue for Q3 2016 is 235 million with 14.2% EBIT*. Cash flow remains strong resulting in a net debt/EBITDA of 2.6x.

Order intake in Q3 2016 was 233 million and year to date 718 million on a pro forma basis. Order intake of standard equipment and spare parts was strong across all industries. Greenfields and large projects were strong in poultry in the first 9 months while volume of larger projects was soft in meat and fish. Meat began to pick up in Q3 with a unified sales team securing full line projects in Europe and China. In the beginning of Q4, fish secured a landmark greenfield project in Norway.

Pro forma revenue for the first 9 months of 2016 was 733 million and EBIT* was 108.4 million or 14.8%. Marel expects modest organic revenue growth and increase in EBIT* between years.

Arni Oddur Thordarson, CEO:

“We are pleased with our Q3 2016 results. The team is focused and committed and is delivering robust operational results with close to 15% EBIT* year to date. We continue to introduce steady stream of innovative customer solutions and to invest in the business to support future profitable growth.

In general the demand for larger projects is promising while timing of closure of such transactions is hard to predict due to general economic circumstances.

Integration with MPS is on track. We have unified and cross-trained our sales team in meat. This great team has now secured full line projects in various geographical areas. It is clear that we are stronger together in serving our customers’ needs”.

Key figures from Marel's operations in thousands of EUR

Proforma Figures	Quarter3	Quarter3	Change	Quarter3	Quarter3	Change
	2016	2015	in %	2016 YTD	2015 YTD	in %
	Total Marel	Total Marel	Total Marel	Total Marel	Total Marel	Total Marel
Revenues	234.806	229.747	2,2	732.935	726.955	0,8
Gross profit	94.019	95.252	(1,3)	303.371	300.815	0,8
Gross profit as a % of Revenues	40,0	41,5		41,4	41,4	
Adjusted result from operations (EBIT) ¹⁾	33.402	31.620	5,6	108.392	105.198	3,0
Adjusted EBIT as a % of Revenues	14,2	13,8		14,8	14,5	
EBITDA (adjusted 2015)	41.527	41.454	0,2	132.393	137.864	(4,0)
EBITDA (adjusted 2015) as a % of Revenues	17,7	18,0		18,1	19,0	
Refocusing costs	-	(1.960)		-	(10.675)	
Adjustment for amortization of acquisition-related intangible assets	(6.746)	-		(17.880)	-	
Result from operations (EBIT)	26.656	29.660	(10,1)	90.512	94.523	(4,2)
EBIT as a % of Revenues	11,4	12,9		12,3	13,0	
Orders Received	233.354	260.929	(10,6)	718.200	749.575	(4,2)
Order Book				305.055	303.589	0,5

¹⁾ 2016: Operating income adjusted for amortization of acquisition-related intangible assets (PPA)
2015: Adjusted for refocusing cost related to the refocusing program Simpler, Smarter & Faster.

As per financial statements	Quarter3	Quarter3	Change	Quarter3	Quarter3	Change
	2016	2015	in %	2016 YTD	2015 YTD	in %
Revenues	234.806	189.106	24,2	719.645	616.689	16,7
Gross profit	94.019	73.923	27,2	295.825	239.651	23,4
Gross profit as a % of Revenues	40,0	39,1		41,1	38,9	
Adjusted result from operations (EBIT) ¹⁾	33.402	24.166	38,2	104.274	77.662	34,3
Adjusted EBIT as a % of Revenues	14,2	12,8		14,5	12,6	
EBITDA (adjusted 2015)	41.527	31.636	31,3	128.091	105.727	21,2
EBITDA (adjusted 2015) as a % of Revenues	17,7	16,7		17,8	17,1	
Refocusing costs	-	(1.960)		-	(10.675)	
Adjustment for amortization of acquisition-related intangible assets	(6.746)	-		(17.880)	-	
Result from operations (EBIT)	26.656	22.206	20,0	86.394	66.987	29,0
EBIT as a % of Revenues	11,4	11,7		12,0	10,9	
Net result	17.328	14.698	17,9	53.208	46.834	13,6
Net result as a % of revenues	7,4	7,8		7,4	7,6	
Orders Received	233.354	210.940	10,6	711.500	629.581	13,0
Order Book				305.055	187.722	62,5

¹⁾ 2016: Operating income adjusted for amortization of acquisition-related intangible assets (PPA)
2015: Adjusted for refocusing cost related to the refocusing program Simpler, Smarter & Faster.

Cash flows	Quarter3	Quarter3	Quarter3	Quarter3
	2016	2015	2016 YTD	2015 YTD
Cash generated from operating activities, before interest & tax	33.168	29.659	104.762	92.889
Net cash from (to) operating activities	28.313	25.285	72.090	73.816
Investing activities	(8.563)	(4.904)	(394.684)	(7.021)
Financing activities	(17.000)	(13.759)	252.858	(1.340)
Net cash flow	2.750	6.622	(69.736)	65.445

* Operating income adjusted for amortization of acquisition-related intangible assets (PPA).

** Adjusted for refocusing cost related to the refocusing program Simpler, Smarter, Faster.

Pro forma financial results include MPS numbers. Pro forma numbers for Q3 2015 are presented to provide better comparison.

Financial position

Net Interest Bearing Debt	(443.368)	(150.294)
Operational working capital ²⁾	75.221	81.144

²⁾ Third party Debtors, Inventories, Net Work in Progress and Third party Creditors.

Key ratios

Current ratio			1,0	1,4
Quick ratio			0,6	1,0
Number of outstanding shares			717.478	703.850
Market cap. in millions of Euros based on exchange rate at end of period			1.323,3	1.033,0
Return on equity	14,6%	13,6%	14,9%	14,5%
Earnings per share (basic) in euro cents	2,42	2,07	7,44	6,51
Leverage adjusted result ³⁾			2,59	1,12

³⁾ Net Interest Bearing Debt / LTM EBITDA

Markets

Marel is the leading global provider of advanced processing systems and services to the poultry, meat and fish industries. Marel has a commercially strong product portfolio stemming from its continuous focus on innovation and strategic acquisitions.

Revenue year to date on a pro forma basis was 733 million. Order intake in Q3 2016 was 233 million and year to date on a pro forma basis 718 million. Order intake of standard equipment and spare parts was strong across all industries. Greenfields and large projects were strong in poultry in the first nine months while volume of larger projects was soft in meat and fish. Meat began to pick up in Q3 with a unified sales team securing full line projects in Europe and China. In the beginning of Q4, fish secured a landmark greenfield project in Norway.

Revenue and order intake from discontinued operations are close to 20 million lower in 2016 than in 2015.

Marel Poultry

Year to date order intake, revenue and profitability is strong in poultry. Compared with the strong beginning of the year and exceptionally strong Q3 2015 order intake was slightly lower in Q3 2016. Key projects were secured in North-America and Europe during Q3.

During the first 9 months of 2016 Marel Poultry generated 393 million in revenue and EBIT of 68.1 million (17.3% of revenue). Marel Poultry accounted for 54% of Marel's pro forma revenue in the first 9 months of 2016.

Marel Fish

Marel Fish generated 91 million in revenue and EBIT of 3.3 million (3.6% of revenue) in the first 9 months of 2016. Marel Fish accounted for 12% of Marel's pro forma revenue in the first 9 months of 2016. Market conditions in the fish industry have been soft throughout the year. In October, Marel Fish secured a large greenfield project in the salmon industry in Norway.

Marel has been focusing its business and product portfolio shifting the focus from low-end customized solutions to high tech innovative salmon solutions and white fish solutions for both onshore and onboard.

Marel Meat

Marel Meat generated 243 million on a pro forma basis in revenue and EBIT* of 35.0 million (14.4% of revenue) in the first 9 months of 2016. Marel Meat accounted for 33% of Marel's pro forma revenue in the first 9 months of 2016. Order intake and volume is at a good level. Q3 was a good quarter for Marel Meat especially in primary processing which saw good order intake and volume.

Integration of Marel and MPS is on track and going well. During Q3, a unified sales team secured full line projects in both China and Europe. As well in Q3, joined teams participated together at exhibitions in Brazil, China and Russia with good results.

Financial items

Cash flow and investments

Marel returned a strong cash flow from operations with operational cash flow before interest and tax being 33.2 million for Q3 2016 compared with 29.7 million in Q3 2015.

Marel continues to invest in the business to prepare for future growth and full potential in line with previous communication. Investment activities are expected to be on average above depreciation level for the coming quarters. Net debt/EBITDA is 2.6x which is within the range of the targeted capital structure.

In Q3 2016, there were no transactions with Marel's treasury shares. Marel now holds 18.1 million treasury shares.

Acquisition related items

Purchase price allocation in relation to the acquisition of MPS is recorded as provisional; the period during which adjustments are permitted is limited to 12 months from the date of acquisition. No material changes are foreseen from previous publication.

Outlook

Marel expects modest organic revenue growth and increase in EBIT* between years.

The industry that Marel operates in has a history of 4-6% annual growth and it is expected that average annual growth will remain at that level in the long term. Marel's aim is to continue to grow faster than the market by leveraging its market presence and with continuous investments in innovation.

Long term growth prospects for Marel are promising. Results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and deliveries of larger systems.

Presentation of results, October 27, 2016

Marel will present its results at an investor meeting on Thursday, October 27, at 8:30 am (GMT), at the Company's headquarters at Austurhraun 9, Gardabaer. The meeting will also be webcasted at marel.com/webcast.

Publication days of Consolidated Financial Statements in 2017 and 2018

▪ 4 th quarter 2016	February 8, 2017
▪ 1 st quarter 2017	May 3, 2017
▪ 2 nd quarter 2017	July 26, 2017
▪ 3 rd quarter 2017	October 25, 2017
▪ 4 th quarter 2017	January 31, 2018

Release of financial statements will take place after market closing on the aforementioned dates.

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