

Marel Q2 2015 results

Organic growth and strong operational performance

- Revenue for Q2 2015 totaled 218.3m [Q2 2014: 169.8m].
- Adjusted EBITDA* for Q2 2015 was 37.2m or 17.1% of revenue [Q2 2014: 18.0m]. EBITDA was 38.1m or 17.5% of revenue [Q2 2014: 13.0m].
- Adjusted operating profit* (adj.EBIT) for Q2 2015 was 29.7m or 13.6% of revenue [Q2 2014: 10.7m]. EBIT was 28.5m or 13.1% of revenue [Q2 2014: 3.6m].
- Net result for Q2 2015 was 19.5m [Q2 2014: 0.8m]. Earnings per share was 2.71 euro cents compared with 0.10 euro cents in Q2 2014.
- Cash flow from operating activities before interest and tax was 23.7m [Q2 2014: 20.4m]. Net interest bearing debt was 156.0m [Q2 2015: 204.5m].
- The order book was at 165.9m at the end of the quarter compared with 178m at the end of Q1 2015.

Orders in Q2 are well balanced both geographically and between different product groups: Greenfield projects, modernization projects and maintenance business. Poultry and fish continue to show strong order intake while market conditions are softer in the meat and further processing segments. Third quarter revenues are expected to be lower than second quarter revenues due to seasonal effects and timing in delivery of orders. Overall market conditions remain favorable.

The first half of the year 2015 was good for Marel with a solid increase in sales and profits. Revenues in the first half of the year are 428 million with 12.5% adjusted EBIT (53.5 million) compared with 325 million and 4.7% adjusted EBIT in 1H 2014.

Arni Oddur Thordarson, CEO:

“It is an excellent first half of the year for Marel with significant organic growth and operational improvements. Revenues in the first 6 months are 428 million with adjusted EBIT of 12.5%. We are proud of this achievement which is based on strong commercial product portfolio, deep customer engagement and general good market conditions.

Our financials are strong giving us ample room to explore various growth opportunities. The Marel team is committed to stay at the forefront of the dynamic and fast growing industry of providing innovative and high performing solutions to poultry, meat and fish processors on a global scale.”

*Before refocusing cost

Key figures from Marel's operations in thousands of EUR

	Quarter 2 2015	Quarter 2 2014	Change in %	Quarter 2 2015 YTD	Quarter 2 2014 YTD	Change in %
Revenues	218.272	169.848	28,5	427.583	324.605	31,7
Gross profit before refocusing costs	84.264	60.344	39,6	165.728	113.010	46,6
Gross profit before refocusing costs as a % of Revenues	38,6	35,5		38,8	34,8	
Result from operations before refocusing costs (EBIT)	29.659	10.741	176,1	53.496	15.310	249,4
EBIT before refocusing costs as a % of Revenues	13,6	6,3		12,5	4,7	
EBITDA before refocusing costs	37.219	18.011	106,6	74.090	29.632	150,0
EBITDA before refocusing costs as a % of Revenues	17,1	10,6		17,3	9,1	
Refocusing costs	(1.122)	(7.188)		(8.715)	(10.738)	
Result from operations (EBIT)	28.537	3.553	703,2	44.781	4.572	879,5
EBIT as a % of Revenues	13,1	2,1		10,5	1,4	
EBITDA	38.135	13.022	192,9	67.528	21.093	220,1
EBITDA as a % of Revenues	17,5	7,7		15,8	6,5	
Net result	19.516	766	2.447,7	32.136	(1.105)	3.008,2
Net result as a % of revenues	8,9	0,5		7,5	(0,3)	
Orders Received ¹⁾	206.168	187.826	9,8	418.641	348.593	20,1
Order Book				165.938	156.427	6,1

¹⁾ Included are the service revenues.

	Quarter 2 2015	Quarter 2 2014	Quarter 2 2015 YTD	Quarter 2 2014 YTD
Cash flows				
Cash generated from operating activities, before interest & tax	23.714	20.422	63.229	39.804
Net cash from (to) operating activities	16.400	16.610	48.531	31.955
Investing activities	5.523	(11.969)	(2.117)	(19.084)
Financing activities	(26.762)	(7.060)	12.422	(15.730)
Net cash flow	(4.839)	(2.419)	58.836	(2.859)

Financial position

Net Interest Bearing Debt	(155.985)	(204.509)
Operational working capital ²⁾	80.738	82.592

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

Key ratios

Current ratio			1,4	1,2
Quick ratio			1,0	0,7
Number of outstanding shares			713.850	735.440
Market cap. in millions of Euros based on exchange rate at end of period			900,6	495,6
Return on equity	18,1%	0,7%	14,9%	(0,5%)
Earnings per share in euro cents	2,71	0,10	4,44	(0,15)
Leverage adjusted for refocusing costs ³⁾			1,22	3,23

³⁾ Net Interest Bearing Debt / LTM EBITDA

Simpler, Smarter, Faster refocusing program

The Simpler, Smarter, Faster two year refocusing program is fully on track and nearing its finalization at year-end 2015. The program focuses on simplifying market approach to better serve the customer needs and streamlining operations to increase quality and efficiency in the company while lowering the recurring cost base.

High Speed Slicing operations in Norwich, U.K. were sold to the Middleby Corporation in Q2 2015. The sale of the High Speed Slicing operations was made in February and closed in April with a slightly positive P/L effect and total cash proceeds of 9 million. Marel's real estate in Oss, Netherlands, was sold in April delivering cash proceeds of 2.4 million. The Oss operations had previously been transferred to the multi-industry center in Boxmeer.

Several actions have been taken to optimize the manufacturing footprint and it has been transformed from 19 manufacturing and innovation sites to 11 today. It is estimated that one-off costs related to refocusing will increase during the second half of the year compared with Q2 as previously announced actions of manufacturing optimization will be fully implemented and finalized before year-end. These actions include the transfer of manufacturing activities from Des Moines to Gainesville in the U.S., transfer of operations from Bornholm to Aarhus in Denmark and finalization of various other streamlining activities that have already been started.

From the beginning of the refocusing program until the end of Q2 2015, taking into account the proceeds from sales of operations the total cash-out cost of the refocusing program is at 14 million with 28 million in P/L effect for the same period, thereof 1.1 million in Q2. Total estimated cash-out costs related to refocusing actions will remain under 25 million over the total refocusing period.

New organizational blueprint

During 2015, a new organizational blueprint for Marel has been implemented step by step. The new structure simplifies Marel and strengthens innovation, supply chain and commercial activities across the company. These functions operate across the industry segments, creating a solid foundation for increased efficiency, sharing of best practices and optimization of the use of resources. The aim is to serve the customer better, reduce time to market and penetrate markets faster and more efficiently.

With the new organization structure, Marel views and manages the business in a new way with changes in resource allocation and internal reporting. The reporting changes do not have any impact on consolidated revenue, operational profit or net profit. Alignment of reporting between different business units results in movement from cost of sales to sales and marketing cost. Cost allocation from the shared services by functions across industry segments is now better reflecting the utilization of internal resources resulting in increased transparency and accountability. Year to date EBIT per industry better reflects the resource allocation based on the new organizational blueprint than the quarterly figure.

Markets

Market conditions in Marel's main markets remained good during Q2 resulting in yet another quarter of record sales. There was a good increase in revenues and operational profits which was fueled by the poultry and salmon segments where Marel is in the position to deliver turn-key solutions. Poultry and fish continue to show strong order intake while market conditions in the meat and further processing segments are softer.

Poultry

Marel's poultry segment had a good first half of the year with strong operational profit margins and volumes. The poultry segment generated 231.5 million in revenue and adj.EBIT of 39.6 million (17.1%) in the first six months 2015. Market conditions in poultry remain favorable and the outlook for the remainder of the year is positive although negative seasonal effects are expected in Q3. Projects during Q2 are well distributed geographically, including large projects in Poland and the U.K.

PRESS RELEASE

July 29, 2015



During the quarter Marel's poultry segment participated in the VIV Russia poultry exhibition in Moscow and VIV Turkey in Istanbul where Marel presented the multiple award-winning SmartWeigher, the AeroScalder and the brand new LegPositioner. Marel has been nominated for the Dutch Food Valley Award 2015 for its highly innovative AeroScalder that uses moisturized hot air for scalding instead of water immersion. This revolutionary scalding method saves energy and reduces water consumption by 50-75%.

Fish

The fish segment generated 70.1 million in revenue and adj.EBIT of 7.0 million (9.9%) in the first half of 2015. Market conditions in salmon and white fish are favorable and Marel has secured several projects and standard equipment sales, including sizeable projects in Chile and Alaska.

During the quarter, Marel's fish segment exhibited all its latest solutions and equipment for the fish industry at the annual seafood processing global exhibition in Brussels. During the exhibition, the Flexicut waterjet cutter drew the crowd's attention, leading to several sales during and after the exhibition.

Meat

Marel's meat segment generated 64.0 million in revenue and adj.EBIT of 6.0 million (9.4%) in the first half of 2015, which is a significant improvement compared to previous years due to good market conditions and streamlined operations. Market conditions in meat have softened and revenue and profitability is expected to be lower during the second half of the year compared to the first half of the year.

During the quarter, Marel's meat segment gained certification from Oz Meats that will allow Marel's customers in Australia to export their meat trimmings to global markets. Marel was also named as the best equipment supplier in 2015 at the U.K Meat awards.

Further processing

The further processing segment generated 55.0 million in revenue with negative adj.EBIT of 0.2 million (-0.4%) in the first half of 2015. Profitability is expected to be at a low level throughout the year.

Streamlining of further processing activities continued during Q2 2015. The transfer of manufacturing operations in Des Moines to an existing facility in Gainesville is ongoing and will be concluded before year-end. The segment is strategically important in supporting customers in the poultry, meat and fish segments to move from volume to value. Innovation efforts will be stepped up in order to increase profitability going forward as can be seen by the investment in the new innovation center in Des Moines which will serve the large sausage and meat market.

During the quarter, Marel's further processing segment continued to strengthen its market approach and participated in the seafood processing global exhibition in Brussels with the RevoPortioner that is now entering the fish segment building on its past success in poultry.

Financial items

Cash flow

Operational cash flow before interest and tax is 23.7 million for Q2 2015, compared with 20.4 million in Q2 2014. Total operating working capital increased compared to Q1 2015 and Year-end 2014 because of increase in business volume and timing of delivery and payment of orders. At the same time Marel returned healthy cash flow from operations.

In Q2 2015, Marel acquired 15.0 million treasury shares for a total amount of 18.2 million. This purchase was made after the Board of Directors of Marel hf. authorized management to purchase up to 25 million own shares to be used as payment for potential future acquisitions, per the Company's announcement on 29 April 2015. After the purchase and exercise of stock options during the quarter with net cash outflow of 16.5 million the company holds 21.7 million treasury shares. Total outstanding stock options at the end of Q2 2015 are 9.3 million shares.

Financing

The balance sheet is healthy and net interest bearing debt amounts to 156.0 million in Q2 2015 compared with 204.5 million in Q2 2014. Strong EBITDA and cash flow results in a total net leverage ratio of 1.22 at the end of Q2 2015 compared to 1.48 at the end of Q1 2015 and 2.08 at the end of Q4 2014.

The strong financial position with net debt/EBITDA at 1.22 enables Marel to further stimulate growth and strengthen its competitive position.

Outlook

Management guidance for 2015 is organic revenue growth, with a solid increase in operational and net profit. Full focus remains on strengthening the market approach and operational improvement with the aim to reach EBIT of over 100 million in 2017.

In the mid- and long-term, the company believes its innovative products and global presence in all segments will secure good growth and increased profitability. The long-term outlook in the industry remains favorable and the estimated annual market growth for providing advanced solutions and equipment for meat, poultry and fish processing is 4-6%. Marel's goal is to continue to grow faster than the market, based on its innovative customer solutions and extensive sales and service network. Results may vary from quarter to quarter due to general economic developments, fluctuations in orders received, and deliveries of larger systems.

Presentation of results, July 30, 2015

Marel will present its results at an investor meeting on Thursday, July 30, 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 dates of Consolidated Financial Statements in 2015

- 3rd quarter 2015 October 28, 2015
- 4th quarter 2015 February 3, 2016

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

For further information, contact:

Audbjorg Olafsdottir, Corporate Director of Investor Relations and Communications, tel: (+354) 563 8626 / mobile: (+354) 853 8626.