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Investor Call
FY2019 financial results

May 1st, 2020

Today's presenters

Thomas Stenager

CFO

Joined Frontmatec: 2017

CFO experience: 9 years

Selected experience:

- Micro Matic, Group CFO
- Fertin Pharma, Vice President CFO
- Masco Corp, Divisional Head of Finance
- LEGO, Director Corporate Finance
- PwC, Auditor

Christoffer Müller

Partner

Joined Axcel: 2009

Deputy Chairman of the Board of Directors

Selected experience:

- Mountain Top Industries, Responsible and Vice Chairman of the Board of Directors
- Cimbria, EG, Silkeborg Data, Conscia & Lessor

Executive summary

Revenue	• **Strong top-line growth in FY19A** with pro forma revenue of DKK 1,707m (~20% growth vs. FY18A) driven by new sales initiatives, product introductions and M&A
EBITDA	• **Pro forma EBITDA in FY19A of DKK 201m (11.8% margin) was below expectations** compared to FY18A of DKK 226m (15.9% margin) • The decline in EBITDA in H2-2019 was primarily a result of the relocation of the production site in Kolding, which resulted in poor performance on several projects. The situation in Kolding has stabilized in 2020
Cash flow	• **Cash flow generation in FY19A was below expectations** driven by adverse NWC development, due to lower order intake in North America and investments in new product development and M&A
Liquidity	• As of this date, the Group has a cash draw limit of DKK 175m under the SSRCF of DKK 350m from Nordea and Nykredit, which is currently **considered sufficient** • However, to proactively ensure sufficient liquidity, considering the COVID-19 situation, **the main shareholders can increase the cash draw part of the SSRCF**
COVID-19 update	• COVID-19 is mainly expected **to negatively impact the project business in the short term, whereas aftersales and other business units should be more resilient** • **The Group has implemented a range of mitigating initiatives** to boost sales, reduce costs and improve liquidity, including use of local public support programs

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COVID-19 update: Larger projects are expected to be impacted, whereas aftersales and other BUs are more resilient

Segment	Sub segment	COVID-19 impact	Comments
Project sales	Order intake – Greenfield projects	↘	▪ Despite a strong pipeline, we have **seen customers hesitating on larger projects, due to COVID-19 concerns.** No material projects cancelled or lost ▪ **Long-term we do not see a risk with respect to the larger projects** as the Group is well-positioned due to its leading technology platform and customers continuing to benefit from high prices following the African swine fever outbreak in China
	Order intake – Rebuilds and upgrades	→	▪ Our customers are food producers and critical to maintain the food supply chain, thus running as normal in most markets (except a few recent examples in the US), why **we only expect a limited impact on underlying demand for smaller- to medium-sized projects**
	Progress on ongoing projects	↘	▪ Most ongoing projects are progressing as planned, however **some projects have temporarily been put on hold or delayed due to COVID-19 related travel restrictions** causing difficulties to carry out onsite installations
After-sales	Spare parts	→	▪ **Sales of spare parts (with relatively higher margins than service hours) is expected to be relatively unaffected by COVID-19** as customers are still operating at normal capacity, which drives demand
	Service	↘	▪ **Sales of service hours will to some extent be impacted by COVID-19 related travel restrictions** even though the demand remains intact and where possible, we continue with local support or use of technology (e.g. Google Smart Glasses and augmented reality)
Other sales[1]	Controls, Instruments and Stunning	→	▪ Our other business units like **Controls (software) and Stunning are currently not impacted by COVID-19**
	Hygiene	↗	▪ **Our Hygiene business unit has been positively impacted by COVID-19** due to increased focus on hygiene and food safety in general at the Group's customers and related industries

Notes: 1) Other sales include Controls (software), Instruments, Stunning and Hygiene

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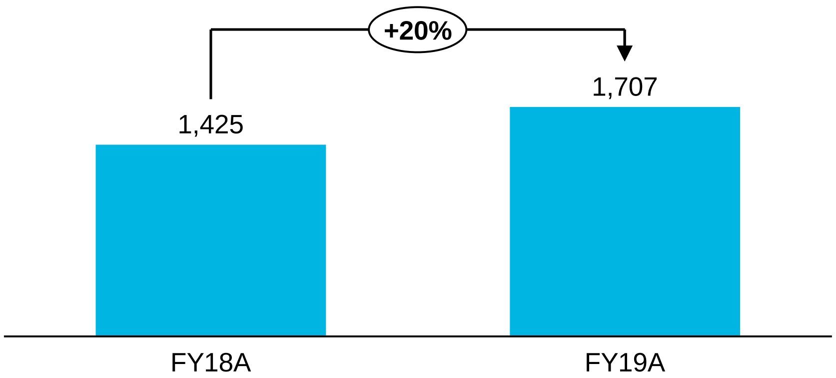
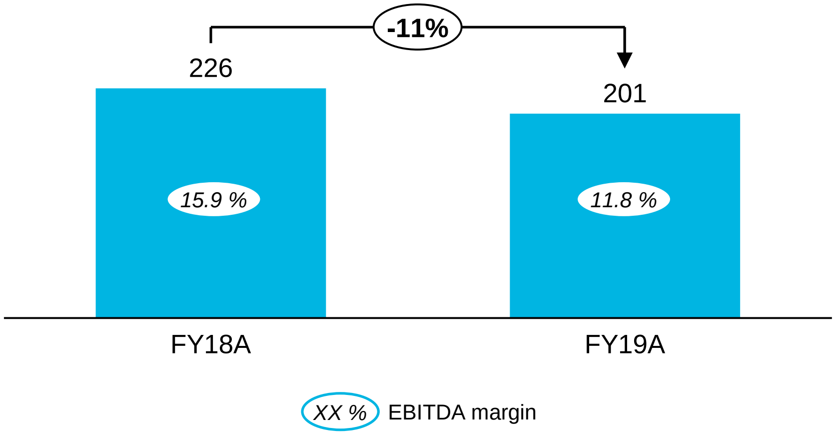
Strong top-line growth in FY19A, but EBITDA was severely negatively impacted by relocation of the production site in Kolding

Pro forma Revenue[1] (DKKm)



Pro forma EBITDA[1] (DKKm)



Comments

- **Strong top-line growth in FY19A with pro forma revenue of DKK 1,707m (~20% growth vs. FY18A) driven by:**
  - continued favourable market dynamics due to strong demand for automation solutions to increase capacity, uptime and yield while reducing labour costs and improving hygiene and food safety;
  - extensive focus on new sales initiatives within both project sales and aftersales using the strong platform from the combined Group; and
  - introductions of several new advanced automation solutions supported by the acquisition of Aira[2] with unique competences within free-arm robotics
- **Pro forma EBITDA in FY19A of DKK 201m (11.8% margin) was below expectations compared to FY18A of DKK 226m (15.9% margin):**
  - The decline in EBITDA was impacted by relocation of the production site in Kolding, which resulted in cost overruns on a number of projects and indirect loss of revenue, due to production disruption. The situation has stabilized in 2020

Notes: 1) Please refer to appendix for definition of pro forma financials; 2) 40% stake acquired in early 2019

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Cash flow generation in FY19A was below expectations, but sufficient liquidity buffer is in place with an opportunity to increase it further

Cash flow statement (DKKm)

DKKm	FY 2019A	FY 2018A
EBITDA (IFRS)	171.9	207.2
Special non-recurring items	(59.8)	(76.5)
Change in NWC	(120.3)	28.8
Corporation tax paid	(44.2)	(16.6)
Interest received	2.6	27.8
Interest paid	(79.8)	(74.5)
Provisions	0.6	(2.6)
Cash flows from operating activities	**(129.0)**	**93.5**
Addition of intangible assets and PP&E	(105.4)	(51.8)
Sale of PP&E	2.0	47.7
Business acquisitions	(60.6)	(63.3)
Cash flows from investment activities	**(164.0)**	**(67.3)**
Capital movement	(287.3)	105.0
Contracting of long-term liabilities	581.0	(160.0)
Cash flows from financing activities	**293.7**	**(54.9)**
Net cash flows	**0.6**	**(28.7)**
Cash and cash equivalents at 1 January	(31.1)	(2.4)
Cash and cash equivalents at 31 December	**(30.5)**	**(31.1)**

Comments

- Cash flow generation in FY19A was below expectations driven by adverse NWC development and high investment level
- NWC increased by DKK ~120m in FY19A as a result of lower order intake in North America and high WIP due to production issues related to the relocation of Kolding
- Investments in PP&E and intangible assets increased by DKK ~54m in FY19A as a result of investments in the manufacturing setup and new product development
- The positive cash flow from financing activities is related to the bond refinancing completed in October 2019
- The current SSRCF of DKK 350m, where DKK 175m is available as cash draw, is currently sufficient
- However, to proactively ensure sufficient liquidity, considering the COVID-19 situation, the main shareholders can increase the cash draw part of the SSRCF, subject to certain conditions within the control of the majority shareholders[1]

Notes: 1) The cash draw limit can be increased up to DKK 265m until Dec-20, after which it will be reduced to DKK 225m until Jun-21 and further reduced to today's limit of DKK 175m afterwards

Concluding remarks: Outlook for FY2020 is uncertain, due to COVID-19, why an updated outlook for FY2020 is not provided

Status on operations

- China is starting to operate under more normal conditions, but the rest of the Group is currently dealing with the consequences of the COVID-19 virus outbreak, despite customers being relative resilient and running at normal capacity (a few exceptions in the US in the last weeks)
- As a consequence, the Group has implemented a range of initiatives to improve short term performance and safeguard EBITDA and cash
    - Boost order intake and sales (hygiene equipment, single machines, smaller rebuilds, ancillary equipment, etc.); and
    - reduce costs (e.g. primarily layoffs of 136 FTEs and strong sourcing push on both variable and fixed purchases) and improve liquidity (focus on cash on a daily basis); and
    - utilising public COVID-19 virus support programs (e.g. primarily 107 FTE's on furloughs and postponement of Tax/VAT), where relevant and applicable

Outlook 2020

- On the back of the strong revenue momentum in 2019, management expected further revenue growth in 2020 and significantly improved EBITDA, due to Kolding relocation issues being solved
- However, the outlook for 2020 is negatively impacted by the outbreak of the COVID-19 virus, but currently uncertain to what extent, why a revised full year 2020 outlook is not provided

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Q&A

Appendix

Alternative Performance Measures (1/2)

Pro forma revenue for the period ending 31 December

DKK '000	FY 2019A	FY 2018A
Revenue for the period ending 31 December	1,662,323	1,418,685
Impact from acquisitions (full year revenue)	11,608	6,516
Impact from associated companies (pro-rata)	32,697	
Proforma turnover (non-IFRS)	**1,706,628**	**1,425,201**
Turnover (IFRS)	**1,662,323**	**1,418,685**

Pro forma EBITDA for the period ending 31 December

DKK '000	FY 2019A	FY 2018A
EBITDA (non-IFRS)	184,742	226,090
Impact from acquisitions (full year EBITDA)	2,384	(35)
Impact from associated companies	13,970	-
Pro forma EBITDA (non-IFRS)	**201,096**	**226,055**
EBITDA (IFRS)	**171,921**	**207,205**

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Alternative Performance Measures (2/2)

EBITDA for the period ending 31 December

DKK '000	FY 2019A	FY 2018A
Operating loss	(33,798)	(5,140)
Amortisation of intangible assets	89,492	87,750
Depreciation of intangible assets	20,116	17,380
Amortisation of property, plant, machinery and equipment	957	1,507
Depreciation on property, plant, machinery and equipment	18,232	17,488
Depreciation of leased assets	17,125	11,790
Loss on disposals	112	4,662
Special non-recurring items	72,506	90,653
EBITDA (non-IFRS)	**184,742**	**226,090**
EBITDA (IFRS)	**171,921**	**207,205**

Special non-recurring items for the period ending 31 December

DKK '000	FY 2019A	FY 2018A
External costs related to acquisitions	16,599	10,523
Discontinuing outsourcing activities	23,386	-
Costs of internal restructuring	23,947	66,244
Other	8,574	13,886
Special non-recurring items (non-IFRS)	**72,506**	**90,653**
Special non-recurring items (IFRS)	**59,797**	**76,470**

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Reported income statement

DKK '000	FY 2019A	FY 2018A
Revenue	1,662,323	1,418,685
Production costs	(1,156,856)	(916,858)
Other operating income	154	-
External costs	(111,893)	(104,271)
Gross profit	**393,728**	**397,556**
Staff costs	(221,695)	(185,689)
Other operating costs	(112)	(4,662)
Operating profit before depreciation, amortisation and special items	**171,921**	**207,205**
Special non-recurring items	(59,797)	(76,470)
Depreciation, amortisation and impairment of non-current assets	(145,922)	(135,875)
Operating loss	**(33,798)**	**(5,140)**
Share of results of associates	13,361	-
Financial income	2,648	27,769
Financial expense	(79,836)	(74,525)
Loss before tax	**(97,625)**	**(51,896)**
Tax for the year	(23,235)	(3,091)
Loss for the year	**(120,860)**	**(54,987)**

Key ratios	FY 2019A	FY 2018A
Gross margin (%)	23.7%	28.0%
Pro forma EBITDA margin (%)	11.8%	15.9%
EBITDA margin (%)	10.3%	14.6%

Reported balance sheet

Assets

DKK '000	FY 2019A	FY 2018A
Goodwill	1,109,933	1,100,455
Development completed	269,964	317,972
Acquired intangible assets	183,940	191,810
Development in progress	82,551	47,262
Intangible assets	**1,646,388**	**1,657,499**
Land and buildings	137,073	130,946
Plant and machinery	33,296	25,631
Other fixtures and fittings, tools and equipment	15,160	14,330
Right-of-use assets	48,007	36,658
Property, plant and equipment	**233,536**	**207,565**
Investments in associates	40,292	-
Defered tax asset	31,184	48,468
Fixed asset investments	**71,476**	**48,468**
Total non-current assets	**1,951,400**	**1,913,532**
Inventories	**197,804**	**184,036**
Trade receivables	262,723	260,889
Contract assets	168,855	126,407
Amounts owed by Group entities	105	-
Income taxes receivables	639	7,493
Other receivables	54,997	41,689
Prepayments	1,207	13,916
Receivables	**488,526**	**450,394**
Securities and investments	**5,753**	**22,909**
Cash at bank and in hand	**87,829**	**124,277**
Total current assets	**779,912**	**781,616**
Total assets	**2,731,312**	**2,695,148**

Equity and liabilities

DKK '000	FY 2019A	FY 2018A
Share capital	100	100
Reserve for value adjustments of hedging transactions	(4,430)	(6,174)
Reserve for foreign exchange adjustments	19,581	7,358
Retained earnings[1]	599,394	1,019,754
Total equity	**614,645**	**1,021,038**
Deferred tax	118,662	130,955
Lease liabilities	33,840	23,773
Other credit institutions	1,294,250	682,686
Total non-current liabilities	**1,446,752**	**837,414**
Current portion of long-term liabilities	17,791	46,574
Other credit institutions	118,357	155,408
Other provisions	12,853	10,570
Contract liabilities	142,272	234,197
Trade payables	171,131	212,828
Payable to associate company	11,514	-
Amounts owed to Group entities	1,765	-
Income taxes	13,024	40,837
Deferred income	2,780	-
Other payables	178,428	136,282
Total current liabilities	**669,915**	**836,696**
Total liabilities	**2,116,667**	**1,674,110**
Total equity and liabilities	**2,731,312**	**2,695,148**

Notes: 1) Decrease in FY19A equity is mainly related to a dividend payment of DKK 293m from Frontmatec Group ApS to Frontmatec Holding II ApS in connection with the bond refinancing completed in October 2019, where part of the proceeds were used to repay junior debt in Frontmatec Holding II ApS of a similar amount

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Reported cash flow statement

DKK '000	FY 2019A	FY 2018A
Operating loss	(33,798)	(5,140)
Depreciation, amortisation and impairment losses	145,922	135,875
Provisions	556	(2,624)
Changes in receivables	5,328	(4,233)
Changes in inventories, contract assets and contract liabilities	(141,758)	(1,168)
Changes in trade payables	(30,183)	78,971
Changes in other working capital	46,344	(44,797)
Interest received	2,648	27,769
Interest paid	(79,836)	(74,525)
Corporation tax paid	(44,245)	(16,606)
Cash flows from operating activities	**(129,022)**	**93,522**
Addition of intangible assets and property, plant and equipment	(105,447)	(51,772)
Sale of property, plant and equipment	2,026	47,729
Business acquisitions	(60,628)	(63,269)
Cash flows from investing activities	**(164,049)**	**(67,312)**
Capital movement	(287,283)	105,036
Contracting of long-term liabilities	580,957	(159,977)
Cash flows from financing activities	**293,674**	**(54,941)**
Net cash flows	**603**	**(28,731)**
Cash and cash equivalents at 1 January	(31,131)	(2,400)
Cash and cash equivalents at 31 December	**(30,528)**	**(31,131)**

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