FRONTMATEC

Investor Call
Annual report 2020

May 3, 2021

Today's presenters

Thomas Stenager

CFO

Joined Frontmatec: 2017

CFO experience: 10 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	• Pro forma revenue of DKK 1,441m in 2020 vs. DKK 1,707m in 2019 (16% decline) driven by lower revenue from projects, which was partly offset by higher revenue from after sales and other business units. The COVID-19 pandemic impacted revenue from projects in 2020 on most markets
EBITDA and Operating profit	• **Pro forma EBITDA improved** to DKK 214m in 2020 (14.9% margin) from DKK 201m in 2019 (11.8% margin). The negative impact from lower pro forma revenue was offset by **higher earnings from projects, after sales and other business units** • Operating profit before depreciations and special items (EBITDA IFRS) was DKK 126m in 2020 compared to DKK 172m in 2019. Operating profit was impacted by the failed relocation in Frontmatec Kolding, which impacted operating profit negatively with DKK 79m in 2020. Additional provisions were made in Q4 2020 to cover remaining costs. The other Group companies performed in line with expectations • **Operating profit after special items improved** to DKK 119m in 2020 from DKK 112m in 2019 due to less restructuring costs in 2020
Cash flow	• **Cash flow from operating activities improved with DKK 194m** to DKK +65m in 2020 from DKK -129m in 2019 • Net cash flow was DKK -28m in 2020.
Liquidity	• Net cash and credit was DKK -59m on December 31, 2020 compared to DKK -31m on December 31, 2019. • **Sufficient liquidity reserve is in place**
Outlook 2021	• We expect EBITDA (IFRS) at the same level as 2020, or above 2020 in the range of 10-20%, depending on the impact from the global pandemic • It is expected that the larger greenfield projects will continue to be postponed due to the global pandemic in the first half of 2021. We expect several of these to materialize when the pandemic is under control. Furthermore, as a result of the pandemic, new health and safety regulations are likely to be introduced in many markets which will drive demand for automation, re-builds and upgrades to comply with the new regulations.

COVID-19 update: revenue from greenfield projects is negatively impacted; after sales and other business units are more resilient

Segment	Sub-segment	COVID-19 impact	Comments
Project sales	Greenfield projects	↘	▪ We have **seen customers hesitating on new greenfield and larger projects, due to COVID-19 concerns**. No material projects have been cancelled due to COVID-19 ▪ **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
	Rebuilds and upgrades	→	▪ Most customers are running with normal capacity ▪ New legislation is being proposed in Germany regarding food and employee safety, which has temporarily reduced investments until the new legislation is adopted. We are supporting customers with new design and expect that this will generate additional revenue from modifications, automation and hygiene solutions, when the new regulation is adopted ▪ Our customers are food producers and critical to maintain the food supply chain, why **we only expect a limited impact on underlying demand for smaller- to medium-sized projects**
	Ongoing projects	→	▪ Most ongoing projects are progressing as planned. Travel restrictions has limited impact
After-sales	Spare parts	↗	▪ **Sales of spare parts were positively impacted by COVID-19** in 2020. Customers were buying safety stocks, and some used the closedown period to maintain machinery. The customers are still operating at normal capacity, which drives a good demand for spare parts
	Service	↗	▪ **Sales of services have to a small extent been impacted by COVID-19 due to travel restrictions** in 2020 even though the demand remains high and where possible, we continue with local support or use of technology (e.g. Smart Glasses and augmented reality)
Other sales	Controls, Instruments and Stunning	↗	▪ Other business units like **Controls (software) and Stunning have not been impacted by COVID-19,** and continue to grow according to business plans
	Hygiene	↗	▪ **Hygiene business unit has been positively impacted by COVID-19** due to increased focus on hygiene and food safety at our customers and other industries

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Cash flow improved significantly in 2020. Sufficient liquidity reserve is in place

Cash flow statement (DKKm)

DKKm	FY 2020	FY 2019
EBITDA (IFRS)	126.5	171.9
Special items	(7.8)	(59.8)
Change in NWC and other	60.5	(119.7)
Corporation tax paid	(16.0)	(44.2)
Financial income	0.7	2.6
Financial costs	(98.9)	(79.8)
Cash flows from operating activities	**64.9**	**(129.0)**
Addition and sale of intangible assets and PP&E	(56.6)	(86.8)
Business acquisitions	-	(60.6)
Dividend received	4.3	-
Cash flows from investment activities	**(52.3)**	**(147.4)**
Contracting of long-term liabilities	(4.4)	581.0
Leasing activitites	(18.1)	(16.6)
Capital movement	(18.3)	(287.3)
Cash flows from financing activities	**(40.8)**	**277.0**
Net cash flows	**(28.2)**	**0.6**
Cash and cash equivalents at 1 January	(30.5)	(31.1)
Cash and cash equivalents at 31 December	**(58.7)**	**(30.5)**

Comments

- **Cash flow from operating activities has improved with DKK 194m** to DKK +65m in 2020 from DKK -129m in 2019
- Net working capital improved significantly in 2020
- Cash flow in investments activities was DKK 52m in 2020 and mainly used on CAPEX and R&D to support future growth
- Net cash flow was DKK -28m in 2020
- Cash and cash equivalent was DKK -59m on December 31, 2020. The cash draw limit was DKK -225m on December 31, 2020.
- The cash draw limit was increased from DKK 175m to DKK 265m beginning of 2020 to proactively ensure sufficient liquidity considering the COVID-19 pandemic. The increased credit line was never utilized. The cash draw limit will be reduced to the original limit of DKK 175m in June 2021.
- Sufficient liquidity reserve is in place

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Concluding remarks: After Sales and Other Business units are expected to continue to grow. We expect order intake from greenfield projects to improve in second half of 2021

Status on sales and operations

- China is operating under more normal conditions again. Order intake has increased
- Europe and North America are still dealing with the consequences of the COVID-19 pandemic. Customers are relative resilient to COVID-19 and most customers are running at normal capacity. We are starting to see increased order intake on these markets
- After sales and other business units have not seen any significant impact from COVID-19 and we expect these business units to continue to grow according to business plans
- Operations in Kolding has stabilized after the relocation and new projects are being executed as planned
- The Group continue to benefit from the extensive cash focus

Outlook 2021

- The outlook first half of 2021 is expected to be negatively impacted by the COVID-19 pandemic. It is expected that larger greenfield projects will continue to be postponed in the first half of 2021.
- We expect several of these to materialize when the pandemic is under control. Further more, as a result of the pandemic, new health and safety regulations are likely to be introduced in many markets which will drive demand for automation, re-builds and upgrades to comply with the new regulations.
- We expect EBITDA (IFRS) at the same level as 2020, or above 2020 in the range of 10-20%, depending on the impact from the global pandemic

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Q&A