

FRONTMATEC

Credit Investor Call Annual report 2021

May 4, 2022



Today's presenters

Thomas Stenager

CFO **FRONTMATEC**



Joined Frontmateg: 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 **-AXCEL**



Joined Axcel: 2009

Deputy Chairman of the Board of Directors

Selected experience:

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

Executive summary

Revenue	<ul style="list-style-type: none">• Pro forma revenue of DKK 1,461m in 2021 against DKK 1,441 in 2020. Pro forma revenue Q4 increased with 22% from DKK 339m in Q4 2020 to DKK 415 in Q4 2021. The improved order intake in second half 2021 had positive impact on pro forma revenue in second half 2021. Order intake improved globally with new greenfield projects, automation, re-builds and upgrades
EBITDA and Operating profit	<ul style="list-style-type: none">• Operating profit before special items improved from DKK 126m in 2020 to DKK 185m in 2021 (+47%). Higher revenue and higher gross profit margins, impacted by improved project execution, had positive impact. Operating profit before special items Q4 improved from DKK -2m in Q4 2020 to DKK +58m in Q4 2021. Special non-recurring costs with DKK 40m in 2021 was related to close-down of the company in Shanghai, China, to consolidate activities in the company in Jining, China, that was acquired in 2018.• Pro forma EBITDA was DKK 209m in 2021 (14.3% margin) against DKK 214 in 2020 (14.9% margin). Pro forma EBITDA Q4 was DKKm 70m in Q4 2021 against DKK 78m in Q4 2020
Liquidity	<ul style="list-style-type: none">• Strong cash flow from operating activities with DKK 277m in 2021 against DKK 65m in 2020. Cash flow in Q4 2021 was DKK 47m against 86m in Q4 2020.• Net cash flow was DKK 120m in 2021 against DKK 2m in 2020.• Cash and cash equivalents was DKK 210m on 31 December 2021 against DKK 90m on 31 December 2020. Sufficient liquidity reserve is in place.
EBITDA run-rate 2H 2021	<ul style="list-style-type: none">• Order intake from large greenfield projects were postponed in 2020 and first half of 2021 due to the uncertainties of the global pandemic. Revenue and EBITDA in 2020 and 1st half 2021 was negatively impacted from the lower order intake.• Revenue has returned to normal level in second half 2021. We continue to see a high demand for large projects, automation, re-builds and upgrades.• The annualized pro forma EBITDA in 2nd half 2021 is DKKm 331 (including pro forma EBITDA from recent acquisitions in Aira and Asuan)
Outlook 2022	<ul style="list-style-type: none">• Management expect to benefit from the improved backlog and improved demand for automation in 2022.• Based on the increased backlog and the current run-rate in 2H 2021, the outlook for EBITDA before special items (IFRS) in 2022 is above 2021 in the range of 50% or more.

Acquisition of remaining shares in Aira



AIRA in brief

- The remaining 60% shares were acquired in April 2022
- AIRA was founded in 2001 specializing in robotic solutions and has since then developed and commissioned more than 200 robots
- The company is based in Cardona (near Barcelona) in Spain and has a strong team of highly experienced and qualified engineers

Industry Leading Robotic Technology

- State-of-the-art, high-precision dressing line robotics leveraging 3D vision technology to accurately and uniformly process protein pieces
- Designed for a broad range of applications in primary pork processing, ranging from bone cutters to splitter saws and marking printers
- Best-in-class technology, driving recent share gains in primary segment and future growth opportunity in secondary processing
- Attractive future opportunities to expand technology into adjacent protein segments (e.g. beef) and further applications

Key Differentiators



Accurate

High accuracy through continuous synchronisation between conveyor and 3D vision system for each protein piece, maximising yield and throughput



Hygienic

Excellent hygiene qualities based on design, materials used and integrated sterilisation system after each cycle



IoT

Real-time data analysis for optimized production planning



Reliable

Tools engineered and manufactured in-house to assure superior quality



Cost Effective

Low maintenance costs and spare parts consumption compared to other automated machines



Compatible

High compatibility with all types of conveyor systems



Optimised

Easily accessible human-to-robot interface with easy-to-use control panels

Vision Technology:

3D vision technology system based on optical measuring device

Application Tool:

Option for different tools (e.g., blades, knives, removal rollers or printer heads) to be attached to the robot head depending on the application

Integrated Sterilisation System:

Automatic cleaning and sterilisation of application tool between operating cycles

Line Speed:

Up to 750 protein pieces per hour

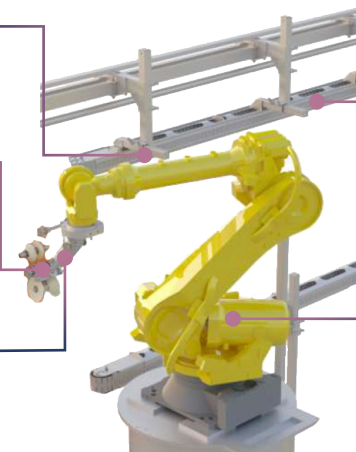
Protective Cover:

Flexible covers on the robot ensure compliance with hygiene and safety requirements

Select KPIs

200+
Robots
Installed

10+
Applications



Acquisition of majority shareholding in Asuan



Asuan in brief

- Uruguay based company with sister company in Mexico and Brazil.
- Historically Beef cutting and deboning solutions for the South American market.
- Lately a focus was made on Pork cutting and deboning solutions.
- Strong customers focus and relationship.
- Strong knowledgeable team. The expertise and knowledge about cattle will strengthen cattle competences in Frontmatec
- Well perceived in the market.
- FMT has already an on-going relationship with Asuan with shared employees located at Asuan and with the main purpose to improve business in South America. Asuan and Frontmatec won an order in Brazil in 2021 and are working together for the execution of the project.

Key Differentiators

- Strengthens Frontmatec presence in beef and provides a platform to drive growth
- Leverage Asuan's strategic location in Uruguay as a gateway to target fast growing beef markets in South and North America
- Employ Asuan's deep market understanding and technology know-how to drive Frontmatec's global beef strategy and sales
- Combine Asuan's deep expertise in the beef market with Frontmatec's R&D capabilities (e.g., AiRA, vision technology) to drive new product development for solutions in primary and secondary processing

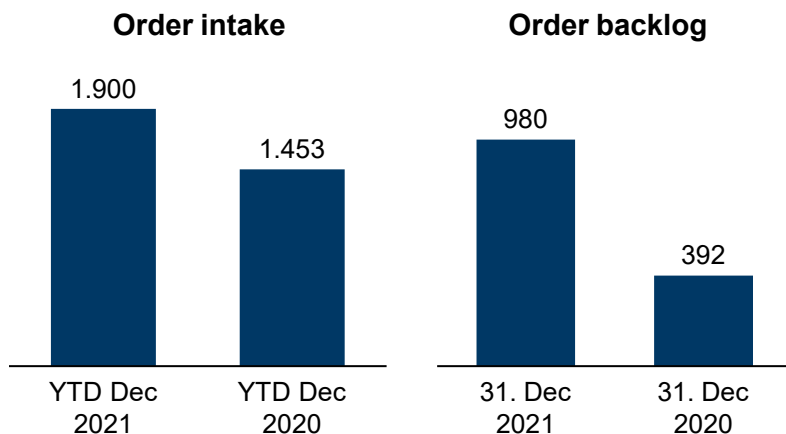
Frontmatec has limited business exposure to Ukraine, Belarus and Russia

Given the tragic situation in Ukraine we want to inform our investors about Frontmatec's business in the conflicted region:

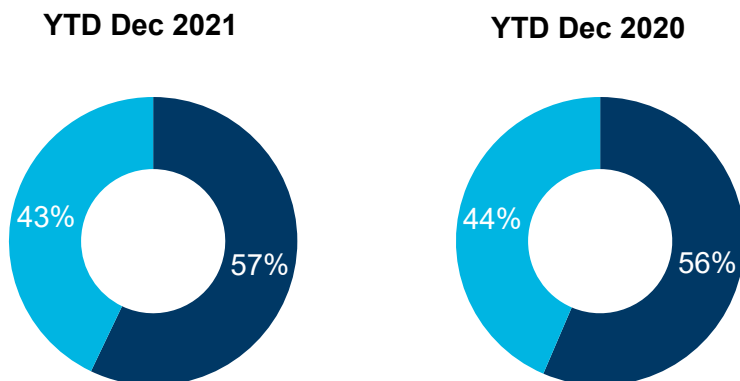
- The conflict in Russia and Ukraine is not expected to have material impact on the evaluation of the Group's financial position and revenue.
- Frontmatec has revenue in Russia and Ukraine with less than 10% of the Group's revenue in 2021 and less than 5% of the Group's gross profit in 2021.
- Frontmatec has decided to stop all new sales in Russia for the time being.
- We remain in close contact with our 4 Russian colleagues and are working together to offer support to them and their families.
- We currently do not expect significant ripple effects of the ongoing conflict to our global business.
- Frontmatec will adhere to all sanctions being imposed and we continue to monitor the situation very closely.

Order intake, backlog and revenue

Order intake and backlog (DKKm)



Revenue (DKKm)



Comments

- Order intake increased 31% YoY from DKK 1,453m in 2020 to DKK 1,900m in 2021 driven by several new orders from projects, automation solutions, rebuilds and upgrades.
- The increased order intake had positive impact on the backlog. The backlog has increased from DKK 392m on December 31, 2020 to DKK 980m on December 31, 2021.
- Pro forma revenue of DKK 1,461m in 2021 against DKK 1,441 in 2020. Pro forma revenue Q4 increased from DKK 339m in Q4 2020 to DKK 415 in Q4 2021.
- Revenue from Service Solutions (after sales) and other business units was 43% of total revenue in 2021 and at the same level as 2020.

Strong operating cash flow with DKK 277m

Cash flow

DKK '000	2021	2020
EBITDA (IFRS)	185.3	126.5
Special items	(39.8)	(7.8)
Change in NWC	276.1	60.4
Corporation tax paid	(53.9)	(16.0)
Financial income	3.9	0.7
Financial costs	(94.2)	(98.9)
Cash flows from operating activities	277.4	64.9
Addition of intangible assets and PP&E	(59.9)	(52.3)
Cash flows from investment activities	(59.9)	(52.3)
Credit institutions and other	(97.6)	(10.3)
Cash flows from financing activities	(97.6)	(10.3)
Net cash flow	119.9	2.2
Cash and cash equivalents at 1 January	90.1	87.8
Cash and cash equivalents at 31 December	210.0	90.0

Comments

- **Cash flow from operating activities has improved with DKK 213m** from DKK 65m in 2020 to DKK 277m in 2021
- Net working capital has improved due to higher order intake and improved project execution with less cash tied into projects
- Cash flow in investment activities was DKK 60m in 2021 and mainly used for R&D to support future growth
- Net cash flow after reduction of RCF draft facility was DKK 120m in 2021 against DKK 2m in 2020
- Cash and cash equivalents were DKK 210m on December 31, 2021

Sufficient liquidity reserve in place

Liquidity and leverage

Available credit (DKKm)	31 Dec 2021	31 Dec 2020
RCF credit draw	42	138
RCF credit line	175	235
Available RCF credit	133	97
Available cash and credit outside RCF	200	79
Net cash and credit available	333	176

Leverage (DKKm)	31 Dec 2021	31 Dec 2020
Cash and bank in hand	-210	-90
Lease debt	29	27
Debt	1.383	1.479
Net debt	1.203	1.416
Pro forma EBITDA, LTM	209	214
Pro forma leverage	5,8	6,6

Comments

- The available RCF credit was DKK 133m as per December 31, 2021. Available cash and credit outside RCF was DKK 200m and net cash and credit available was DKK 333m as per December 31, 2021
- Pro forma leverage was 5.8x as per December 31, 2021
- Clean-down criteria: 3 days where RCF credit draw less any amounts of cash or cash equivalents shall not exceed:
 - DKK 150m from 1 January 2021 to 31 December 2021 (test succeeded)
 - DKK 0m from 1 July 2021 to 30 June 2022 (test succeeded)
 - DKK 0m from 1 January 2022 to 31 December 2022 and every year hereafter (test succeeded in 2022)
- Covenants (RCF credit draw / LTM EBITDA):
 - 30 September 2021 Max 1.1x (test succeeded)
 - 31 December 2021 max 1.1x (test succeeded)

Concluding remarks: Improved order intake globally and strong cash flow

Status on sales and operations

- Order intake has improved globally. All entities are running at high capacity to execute orders in the backlog
- The postponed order intake due to uncertainties of the global pandemic has returned to normal activity level. There is a satisfactory demand for both large project, automation solutions, re-builds and upgrades
- Service Solutions (after sales) and other business units continue to grow according to business plans
- Strong cash flow in 2022 due to improved order intake and project execution with less cash tied into projects

Run-rate and outlook 2022

- Management expect to benefit from the improved backlog and improved demand for automation in 2022
- **The annualized pro forma EBITDA in 2nd half 2021 is DKKm 331** (including pro forma EBITDA from recent acquisitions in Aira and Asuan)
- Based on the increased backlog and the current run-rate in 2H 2021, the **outlook for EBITDA before special items (IFRS) in 2022 is above 2021 in the range of 50% or more.**

Q&A