Preliminary results for Q3 2019 and adjusted full-year guidance for 2019

October 16, 2019

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Agenda

1
Preliminary results

2
Adjusted full-year guidance for 2019

3
Timing of mid-term targets

4
Q&A

Preliminary results for Q3 2019

Highlights

- Q3 organic growth in branded professional of -4.7%, YTD -1.1%
- Organic growth for the total business in Q3 of -6.8%, YTD -3.4%
- Q3 gross margin of 41.5%
- Overhead costs ratio of 34.3%. Cost reductions not enough to compensate for lower revenue
- EBITDA margin before special items of 7.2%

EMEA: Organic growth in Q3 affected by economic conditions

Comments

- For EMEA organic growth in Q3 was -7.0%, YTD -1.7%
- Germany suffering from weakening economic conditions also impacting the rest of EMEA Central region negatively
  - Q3 organic growth in Germany of -9.9%. Spill-over effect to neighboring countries leading to negative organic growth in EMEA Central
- Weakening economic conditions impacting the industrial segment across the EMEA region. Limited negative impact in other segments outside EMEA Central
- UK still positive, however with a more cautious approach to investments

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AMERICAS: Lower organic growth in Q3 than expected

Comments

- For Americas organic growth in Q3 was -1.1%, YTD 0.7%
- Negative growth driven by the US high pressure washer business. Headwind in the agriculture segment and bankruptcy of a large dealer
- In the remaining US business we continue to execute on our growth plan. However, the results are materializing slower than expected in the industrial segment and in national accounts

APAC: Lower organic growth in Q3 than expected

Comments

- For APAC organic growth in Q3 was -5.4%, YTD -4.3%
- Australia not improving as expected
- Slowdown of growth in China
- Singapore affected by lower marine business

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Preliminary organic growth rates for Q3 2019

Organic growth	Q3 2019	9M 2019
EMEA	-7.0%	-1.7%
Americas	-1.1%	0.7%
APAC	-5.4%	-4.3%
Branded professional	**-4.7%**	**-1.1%**
Consumer	-9.2%	-15.5%
Private label	-28.8%	-15.4%
Total business	**-6.8%**	**-3.4%**

Comments

- Negative organic growth of 9.2% in Q3 2019 in the Consumer business in line with expectations
- Private label negatively affected by significantly more cautious customer behavior

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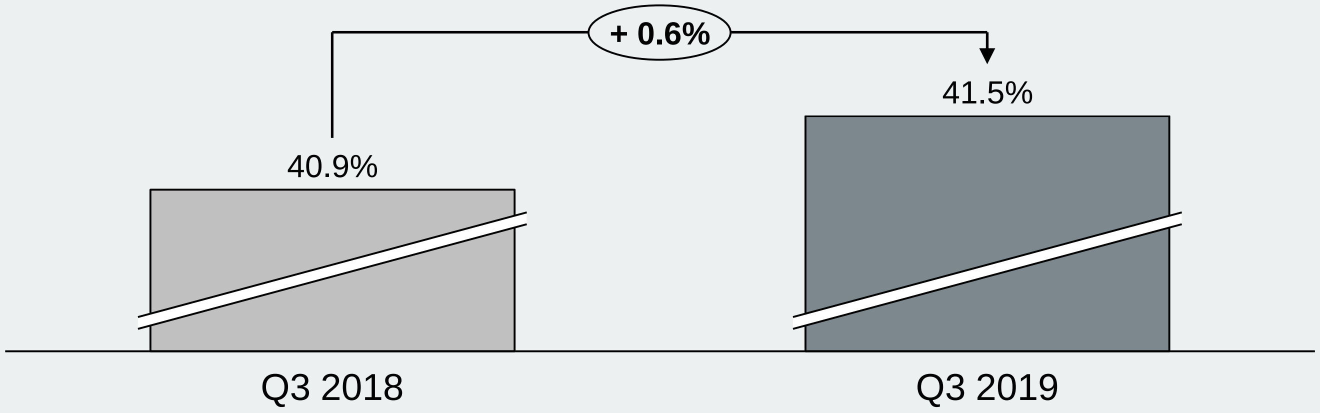
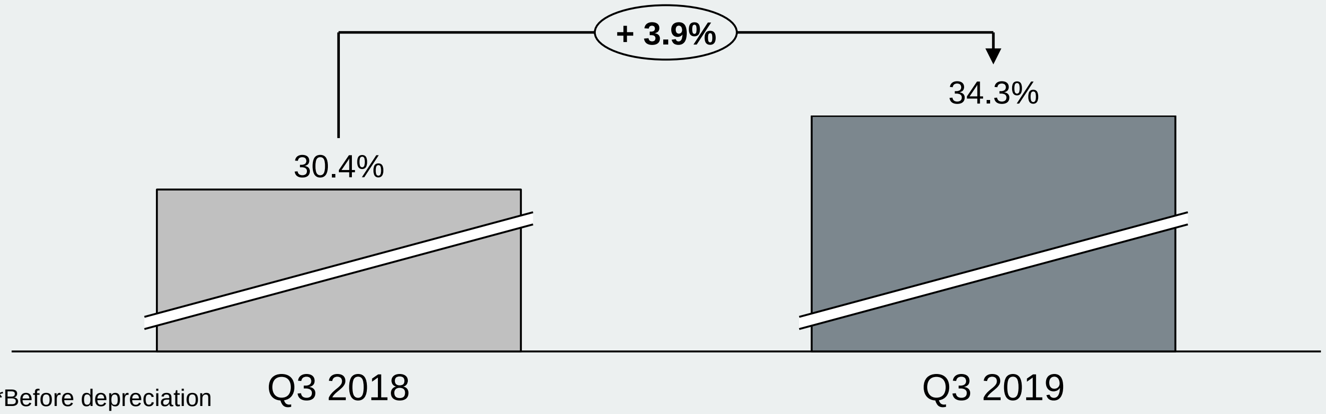
Preliminary EBITDA margin before special items

Gross margin



Overhead costs ratio*



*Before depreciation

Comments

- Q3 EBITDA margin before special items of 7.2%
- Gross margin improvement of 0.6 percentage points driven by:
  - Simplification initiatives: divestments, production consolidation and pruning of product platforms
  - Procurement benefits
  - Mix effects

  Partly off-set by:
  - Lower capacity utilization due to lower revenue
  - Higher raw material prices and tariffs
- Lower revenue resulted in the overhead cost ratio increasing by 3.9 percentage points to 34.3%
- Overhead costs reduced by 4.0 mEUR compared Q2 2019

Basis for adjusted full-year guidance

Organic growth

- Further slowdown in the German market with a spillover effect to the neighboring countries closely linked to the German economy
- Starting from a continuous weakening of the industrial segment, increased risk of the slowdown spreading across EMEA
- Cautious approach to investments in the UK
- Lower than expected growth in the US
- Slower than expected improvement in APAC

EBITDA margin before special items

- Reduction in overhead costs not enough to fully compensate for the lower than expected revenue
- Negative impact on the gross margin from lower than expected revenue due to lower capacity utilization in our production facilities

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Adjusted full-year guidance

	Previous guidance	Current guidance	Status
Organic Growth			
Branded professional	Flat organic growth	Approximately -3.0%	Changed
Consumer	-10.0% to -15.0%	-10.0% to -15.0%	Unchanged
Private label	Flat organic growth	-10.0% to -15.0%	Changed
Total business	Approximately -1.0%	Approximately -4.5%	Changed
EBITDA margin before special items*	**11.0% to 11.5%**	**Approximately 9.5%**	**Changed**

* = The effect from IFRS 16 on the EBITDA margin before special items is expected to be positive by 2.9 percentage points, leading to a guidance of a reported EBITDA margin before special items of approximately 12.4%.

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Mid-term targets

Postponed pending improved visibility on economic conditions

- Significant divestments, restructurings and investments carried out during 2018 and 2019. We will continue to reduce costs and optimize operations, which will enable margin expansion
- Growth is also a prerequisite for reaching the margin targets and we remain focused on our growth initiatives
- Recent changes in economic conditions has lowered visibility on the specific timing of achieving the targets
- Assuming a continuation of current economic environment it is unlikely that the mid-term targets can be met in 2021
- We will provide guidance for 2020 in connection with the announcement of the annual report for 2019 on February 20, 2020
- We will provide a view on the timing of realizing the mid-term targets once visibility on economic conditions improve
- EBITDA margin of 13%-15% and growth of 3%-5% targets remain

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Q&A

Forward-looking statements

This presentation and related comments contain forward-looking statements. Such statements are subject to many uncertainties and risks, as various factors, of which several are beyond Nilfisk Holding’s control, may cause that the actual development and results differ materially from the expectations.