

Nilfisk full-year results 2020

Webcast presentation

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On the call today



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Forward looking statements

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Key takeaways for 2020

- Swift reaction to the COVID-19 pandemic
- Strict cost control and disciplined measures
- Earnings in line with last year despite lower revenue

- Steep decline in demand as the pandemic hit
- Gradual and steady recovery in demand quarter over quarter in the second half of 2020

12.1%
EBITDA margin
before special items

-11.5%
Organic
growth

Swift action as a response to the pandemic

Maintaining operations to serve customers

- Fully operational
- Critical infrastructure
- Status as essential business

Launching solutions to target COVID challenges

- Steam cleaners and disinfectant sprayer
- UV-light module

Exploring new ways of customer interaction

- Meeting customers online
- Virtual product demos

Enforcing strict cost management focus

- Proactive cash management
- CAPEX reduction
- Restructuring plan executed

Execution of key strategic initiatives continued according to plan



Expanding sales of autonomous solutions

- Airports, retail and healthcare
- Growing interest in autonomous technology

New autonomous scrubber

- Launching the Nilfisk Liberty SC60
- Large applications
- Building on software from BrainCorp

Executing US growth plan

- Leveraging the full portfolio
- Serving distribution partners better
- Strategic accounts

Successful roll-out of e-commerce

- Global e-commerce solution
- 16 European markets by year-end 2020

Consolidation of distribution centers

- Two new European distribution centers
- Operated by third party
- Operations moved from Denmark

Focusing on commercial execution as markets recover

Innovation as a continuous driver

- Digital solutions and customer experience
- Sustainability

Expected pick-up in demand

- Focus on regaining sales volumes as markets recover from the pandemic
- Towards normalized market conditions – but visibility still low

Commercial execution in place

- Progress made in simplifying structures and processes
- Solid foundation for commercial execution

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Highlights for Q4 2020

Q4 income statement

EUR million	Q4 2020	Q4 2019	Change
Net sales	220.2	233.8	-13.6
<i>Reported growth</i>	-5.8%	-9.6%	3.8%
<i>Organic growth</i>	-2.1%	-6.3%	4.2%
COGS	-126.9	-140.0	13.1
Gross profit	93.3	93.8	-0.5
<i>Gross margin</i>	42.4%	40.1%	2.3%
Overhead costs	-81.2	-86.6	5.4
<i>Overhead cost ratio</i>	36.9%	37.0%	-0.1%
EBITDA before special items	30.9	25.2	5.7
<i>EBITDA margin bsi</i>	14.0%	10.8%	3.2%
Special items	-0.8	-3.0	2.2
EBITDA	30.4	22.4	8.0
<i>EBITDA margin</i>	13.8%	9.6%	4.2%
EBIT	11.3	4.2	7.1
<i>EBIT margin</i>	5.1%	1.8%	3.3%

Comments

- Continued pickup in demand during Q4. Organic growth of -2.1%
 - Impact from Consumer exit from Pacific -0.3%
 - Negative impact from FX of -3.4%
- 2019 gross margin negatively affected by large one-time sale at low margin in the consumer business
- Lower personnel costs and activity-related costs such as travel, marketing and consultants
- EBITDA margin up by 4.2 percentage points as a result of improved gross margin
- Low special items mainly related to ongoing consolidation of European distribution centers

Highlights for the full year 2020

FY 2020 income statement

EUR million	FY 2020	FY 2019	Change
Net sales	832.9	966.5	-133.6
<i>Reported growth</i>	-13.8%	-8.3%	-5.5%
<i>Organic growth</i>	-11.5%	-4.1%	-7.4%
COGS	-486.2	-559.2	73.0
Gross profit	346.7	407.3	-60.6
<i>Gross margin</i>	41.6%	42.1%	-0.5%
Overhead costs	-313.8	-357.5	43.7
<i>Overhead cost ratio</i>	37.7%	37.0%	0.7%
EBITDA before special items	100.5	117.7	-17.2
<i>EBITDA margin bsi</i>	12.1%	12.2%	-0.1%
Special items	-10.8	-23.9	13.1
EBITDA	90.6	95.0	-4.4
<i>EBITDA margin</i>	10.9%	9.8%	1.1%
EBIT	22.1	25.9	-3.8
<i>EBIT margin</i>	2.7%	2.7%	0.0%

Comments

- Sharp decline in demand in H1, followed by steady recovery across most markets in H2
 - Impact from consumer exit -0.8%
 - Negative impact from FX -1.5%
- Gross margin negatively affected by low capacity utilization and higher freight rates in H2
- Gradual improvement of capacity utilization in H2
- Overhead cost reductions driven by a combination of lower activity-related costs and lower personnel expenses
- EBITDA margin before special items in line with last year due to lower overhead costs
- Special items significantly lower than last year, mainly related to restructuring carried out in Q2 2020

EMEA



	Q4 2020	Q4 2019	FY 2020	FY 2019
Revenue (mEUR)	111.7	119.7	396.6	453.0
Organic growth	-5.1%	-3.7%	-11.6%	-2.2%
Gross margin	46.7%	45.4%	46.2%	47.5%
EBITDA margin bsi	28.6%	29.2%	25.8%	28.3%

Comments

Q4 2020

- Continued improvement in Q4 across most markets
 - EMEA North region particularly improved, driven by Denmark
- Gross margin pickup in Q4 due to improved capacity utilization and pricing
- EBITDA margin before special items positively impacted by improved gross margin

FY 2020

- Full-year organic growth impacted by the sharp drop in demand seen in Q2, recovering steadily during Q3 and Q4
 - EMEA South region most severely impacted, but also experienced the sharpest recovery in H2
- Gross margin negatively impacted by low capacity utilization as well as higher freight rates in H2
- Lower activity-related costs and lower personnel expenses partly compensated for lower gross profit
- EBITDA margin before special items down 2.5 percentage points

Americas



	Q4 2020	Q4 2019	FY 2020	FY 2019
Revenue (mEUR)	62.7	66.4	247.6	291.3
Organic growth	2.1%	-13.3%	-12.4%	-2.8%
Gross margin	41.1%	42.6%	40.6%	42.2%
EBITDA margin bsi	20.9%	17.0%	18.7%	18.9%

Comments

Q4 2020

- Positive growth in the quarter
- Continued pickup in activity in the US
- Slower and less consistent pickup in other Americas markets
- Gross margin pickup compared to Q3 due to higher activity
- Cost management efforts more than compensated for gross profit drop, leading to improved EBITDA in both nominal and relative terms

FY 2020

- Sharp drop in demand in Q2 recovering through Q3 and Q4, in the US in particular
 - Recovery trend in Canada and Latin America less pronounced
- Gross margin negatively affected by low capacity under-utilization and higher freight costs in H2. Positively affected by pricing
- Cost management efforts partly offset gross profit drop and led to an EBITDA margin on par with 2019

APAC



	Q4 2020	Q4 2019	FY 2020	FY 2019
Revenue (mEUR)	18.2	23.6	65.8	93.5
Organic growth	-20.6%	-4.3%	-28.0%	-4.3%
Gross margin	40.1%	35.6%	38.8%	38.4%
EBITDA margin bsi	7.7%	9.7%	5.3%	13.3%

Comments

Q4 2020

- Still very low demand in hospitality segment across region. Slow pickup in demand in other segments
- Good performance in the Pacific region
- Q4 2019 gross margin negatively affected by inventory write-downs in Australia
- Modest cost reduction did not compensate for drop in gross profit

FY 2020

- Full-year revenue significantly affected by the sharp drop in demand; demand is only slowly recovering
- Gross margin improved mainly due to inventory write-downs in H2 2019
- Lower activity-related costs did not compensate for material drop in revenue leading to lower EBITDA in both nominal and relative terms

Other business units

Consumer

- High demand throughout the year positively impacted by stay-at-home restrictions and changed patterns in household spending
- Solid commercial execution driving sales momentum and leading to new customer wins
- 2019 gross margin negatively affected by large one-time sale at low margin in Q4 2019

	Q4 2020	Q4 2019	FY 2020	FY 2019
Revenue (mEUR)	13.4	12.4	76.0	75.8
Organic growth	17.5%	12.0%	15.7%	-11.8%
Gross margin	29.1%	5.6%	33.7%	29.8%

Private label and other

- Full year organic growth negatively affected by out-phasing of certain customers
- Gross margin improvement largely driven by product mix effects

	Q4 2020	Q4 2019	FY 2020	FY 2019
Revenue (mEUR)	14.2	11.7	46.9	52.9
Organic growth	22.6%	-10.4%	-11.3%	-14.4%
Gross margin	28.9%	17.1%	25.6%	20.2%

Balance sheet and cash flow

EUR million	Q4 2020	Q4 2019	Change	FY 2020	FY 2019	Change
Inventories				149.3	172.7	-23.4
Trade receivables				154.2	175.0	-20.8
Trade payables				99.9	111.9	-12.0
Reported WC				131.6	157.9	-26.3
12m WC ratio				18.8%	20.6%	-1.8%
CAPEX	5.1	7.6	-2.5	17.0	43.4	-26.4
Tangibles	2.1	-0.5	2.6	5.4	10.4	-5.0
Intangibles	3.0	8.1	-5.1	11.6	33.0	-21.4
CAPEX ratio %	2.3%	3.3%	-0.9%	2.0%	4.5%	-2.4%
Free cash flow	35.4	16.8	18.6	73.5	35.3	38.2
RoCE				5.9%	8.5%	-2.6%
NIBD				383.2	414.1	-30.9
Financial gearing				3.8 x	3.5 x	0.3

Comments

- Significant reduction in working capital driven by both lower activity but also by intensified focus on working capital management
- Significantly lower CAPEX owing to lower R&D activity and stringent prioritization of investments in general
- Full-year free cash flow twice as high as 2019 due to lower special items and CAPEX as well as lower tax paid
- NIBD further reduced during Q4. Total reduction of 30.9 mEUR to last year driven by lower tied-up working capital and low CAPEX during the year
- Financial gearing of 3.8 up slightly compared to last year

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Forward-looking statements

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