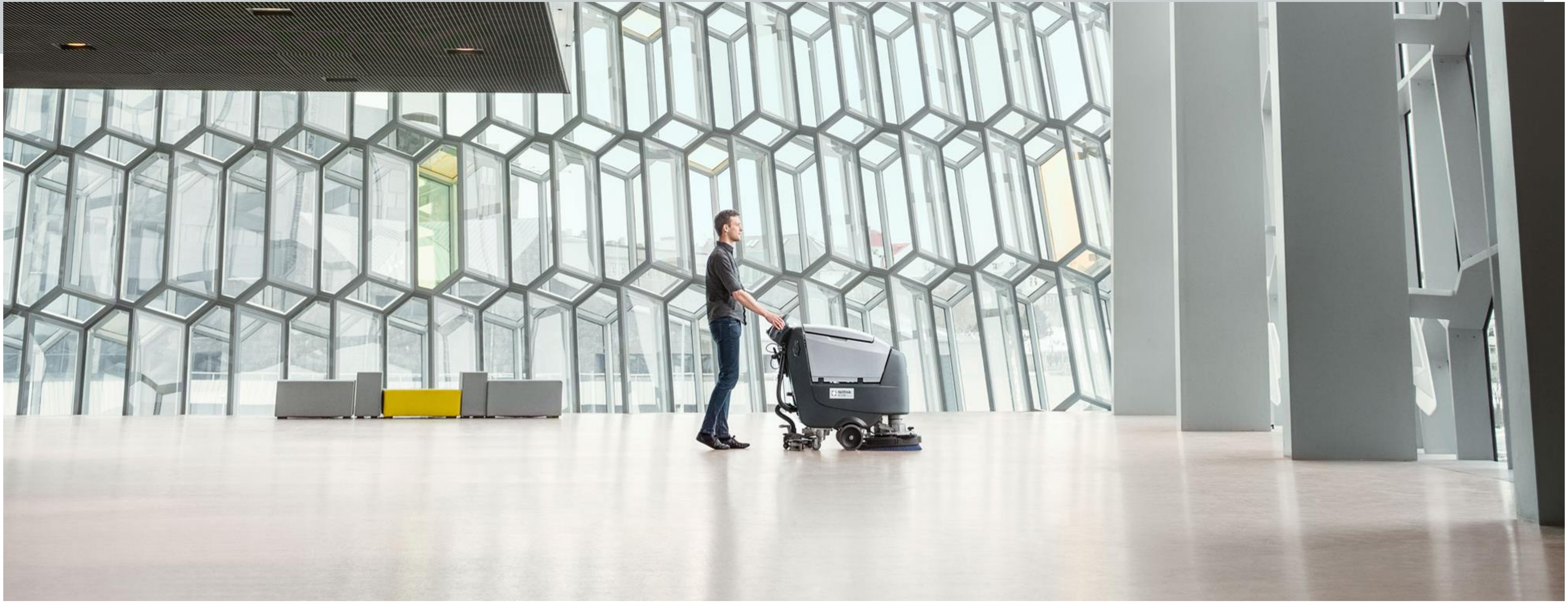
# Nilfisk Update

Webcast presentation – October 11, 2018



# Agenda

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# Preliminary results Q3 2018

## Financial highlights

- Q3 organic growth of 2.6%, YTD 3.3%
- With 4.5%, the strongest quarterly organic growth so far this year in the professional business (excluding private label)
- Specialty Professional delivering 5.7% growth in Q3
- With negative growth (1.4%), Specialty Consumer grows less than expected while private label in line with expectations has negative growth (15.5%)
- Operating performance*) of 10.5% vs 8.9% in Q3 2017
- 2018 organic growth outlook lowered due to slow recovery in Americas and execution of simplification initiatives. 2018 earnings guided in the lower end of the range

*) EBITDA margin before special items excluding impact from phantom share program

# AMERICAS: Unsatisfactory growth

## Comments

- Flat organic growth in Q3 in Americas is below expectations
- US is flat and below our expectations due to:
  - delay of revenue within strategic accounts
  - industrial production output increased but continuing long lead times has in some cases resulted in cancellations of orders
  - implementation of ServiceMax meant lower service activity
- We expect positive growth in Q4 and reiterate that we expect H2 organic growth to improve over H1



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# Simplification of the business: Exits and divestments

- Strategic review of Outdoor (annual revenue 35 mEUR) concluded:
  - Sub-scale player in an investment heavy and tender based market
  - No synergies with our professional business
- Sold the Danish-based part of the business (the 2150-2250 range comprising two multi-purpose machines in the sub 0.5 $m^3$ segment) effective January 1, 2019
- Immediate start of exit from the Italian-based part of the business (the 3500-3570 range comprising two machines in the 1-1.5 $m^3$ segment)
- Sold the US restoration business (annual revenue15 mEUR) effective October 29, 2018
  - Market with limited growth potential
  - No synergies with our professional business
- Sold a small HPW business in Turkey (annual revenue 1 mEUR)

# Simplification of the business: Production footprint

- Closure of production in Suzhou, China, and outsourcing of production of consumer and private label products
  - earlier than planned execution due to strike
  - negative impact on consumer revenue in Q3 and negative impact on Q4 revenue in Specialty Consumer and private label
- Consolidation of manufacturing of professional products into one site in Dongguan, China
- Consolidation of manufacturing of professional products from Guardamiglio, Italy, to Szigetszentmiklós, Hungary
- The divestments and exits entails intended exit of facilities in Lemvig (DK), Mukilteo (US), Guardamiglio (IT), and Izmir (TR)
- With the simplification initiatives Nilfisk has exited six of 17 production sites during 2018

# Impact on guidance

- Professional business excluding private label expected to continue Q3 performance and positive growth in Americas expected in Q4
- Total Q4 growth impacted by private label revenue approximately 15 mEUR lower than Q4 2017, a higher than expected impact

- FY 2018 organic growth expectations lowered due to:

| **Previous guidance** | **3.0-4.0%** |
|---|---|
| Slow recovery in Americas | (0.4-0.5%) |
| Simplification initiatives (approximately evenly distributed between):<br>• Divestments growing above Group average and cancellation of product launch<br>• Consumer revenue impacted by lower production output in Q3 and Q4<br>• Private Label impacted by lower production output in Q4 | (1%) |
| **-> Total organic growth** | **Approximately 2%** |

- The reduction of revenue is primarily related to business areas with earnings below Group average, hence the impact on EBITDA before special items remains in the previously guided range, however in the lower end

# Financial impact of simplification actions

- The divestments/close downs are expected to lead to
  - slightly positive cash flow
  - a P/L charge on special items of 30-35 mEUR. 2018 impact expectedly 25-30 mEUR
  - non-cash B/S write downs but no goodwill impairment

- EBITDA margin in 2019 expected to be positively impacted by the divestments and exits in 2018 with an expected uplift of 0.2-0.3pp

- As previously communicated the simplification of our production footprint is part of the cost saving program and restructuring costs

# Outlook 2018 – updated

| Organic revenue growth | EBITDA margin before special items |
|---|---|
| **Approx. 2%**<br>2018 guidance | **Lower end of 11.5%-12.0%**<br>2018 guidance |

# 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.