Nilfisk Q3 2020 Interim Report

Webcast presentation

November 24, 2020

On the call today

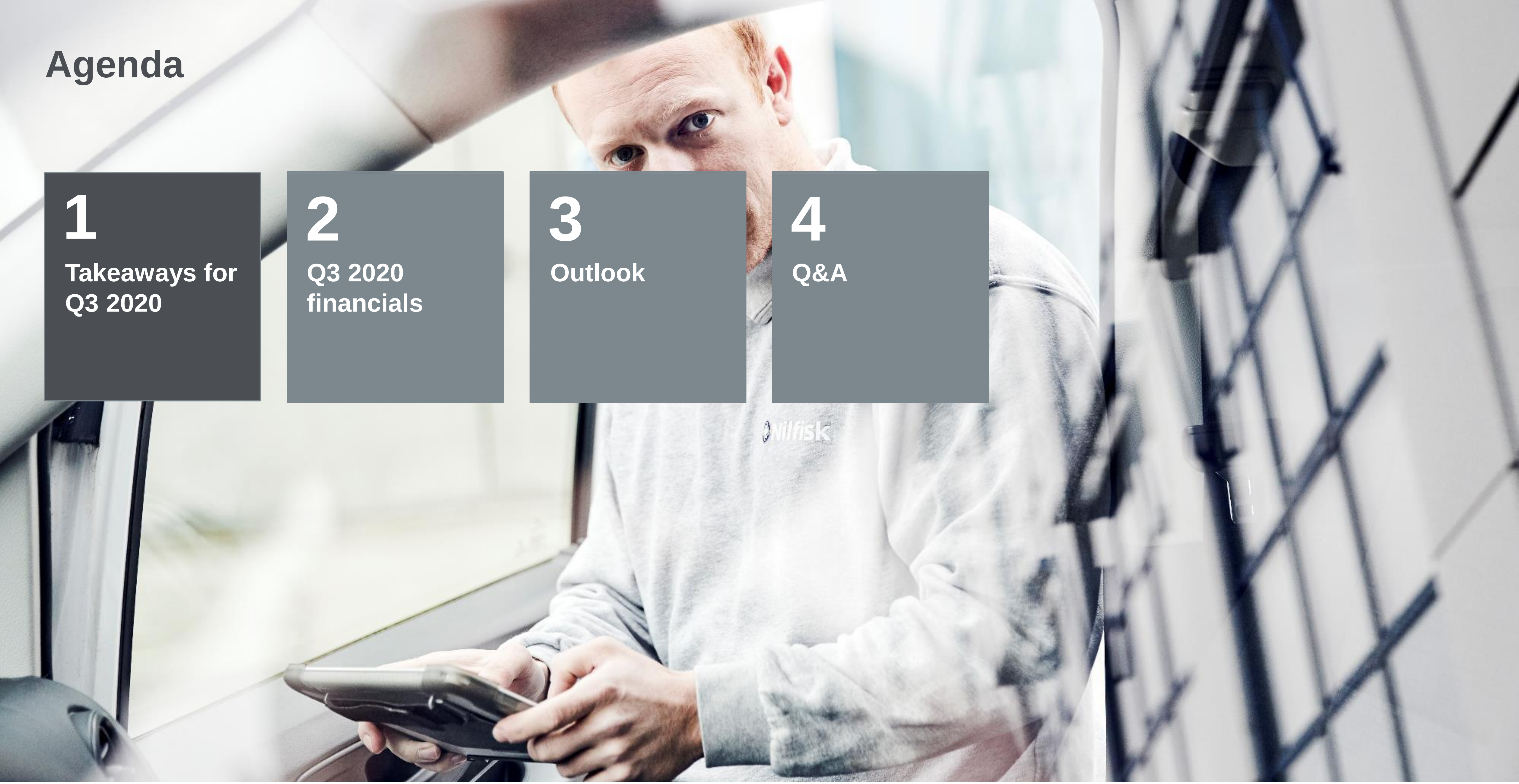
Hans Henrik Lund
CEO

Prisca Havranek-Kosicek
CFO

Forward looking statements

This presentation contains forward-looking statements, including statements regarding Nilfisk's future operating profit, financial position, inventory, cash flows, strategic priorities as well as plans for the future. Forward-looking statements include, without limitation, any statement that may predict, indicate or imply future results, performance or achievements, and may contain the words "believes", "expects", "estimates", "projects", "plans", "anticipates", "continues" and "intends" or any variations of such words or other words with similar meaning. The statements are based on Management's reasonable expectations and forecasts at the time of the disclosure of the annual report. Any such statements are subject to risks and uncertainties, and a number of different factors, of which many are beyond the Group's control, can mean that the actual development and the actual result will differ significantly from the expectations contained in the annual report and this presentation. Without being exhaustive, such factors include general economics and commercial factors, including market and competitive matters, supplier issues and financial issues. Accordingly, forward-looking-statements should not be relied on as a prediction of actual results.

Agenda



1
Takeaways for Q3 2020

2
Q3 2020 financials

3
Outlook

4
Q&A

Key takeaways for Q3 2020

- Continued positive development in demand month-over-month while COVID-19 still impacting market activity
- Continued cost management and execution of restructuring leading to significant reduction in overhead cost
- Solid improvement of EBIDTA margin before special items
- Financial guidance for 2020 maintained, but full-year results expected in the top end of the range

-7.3%
Organic growth

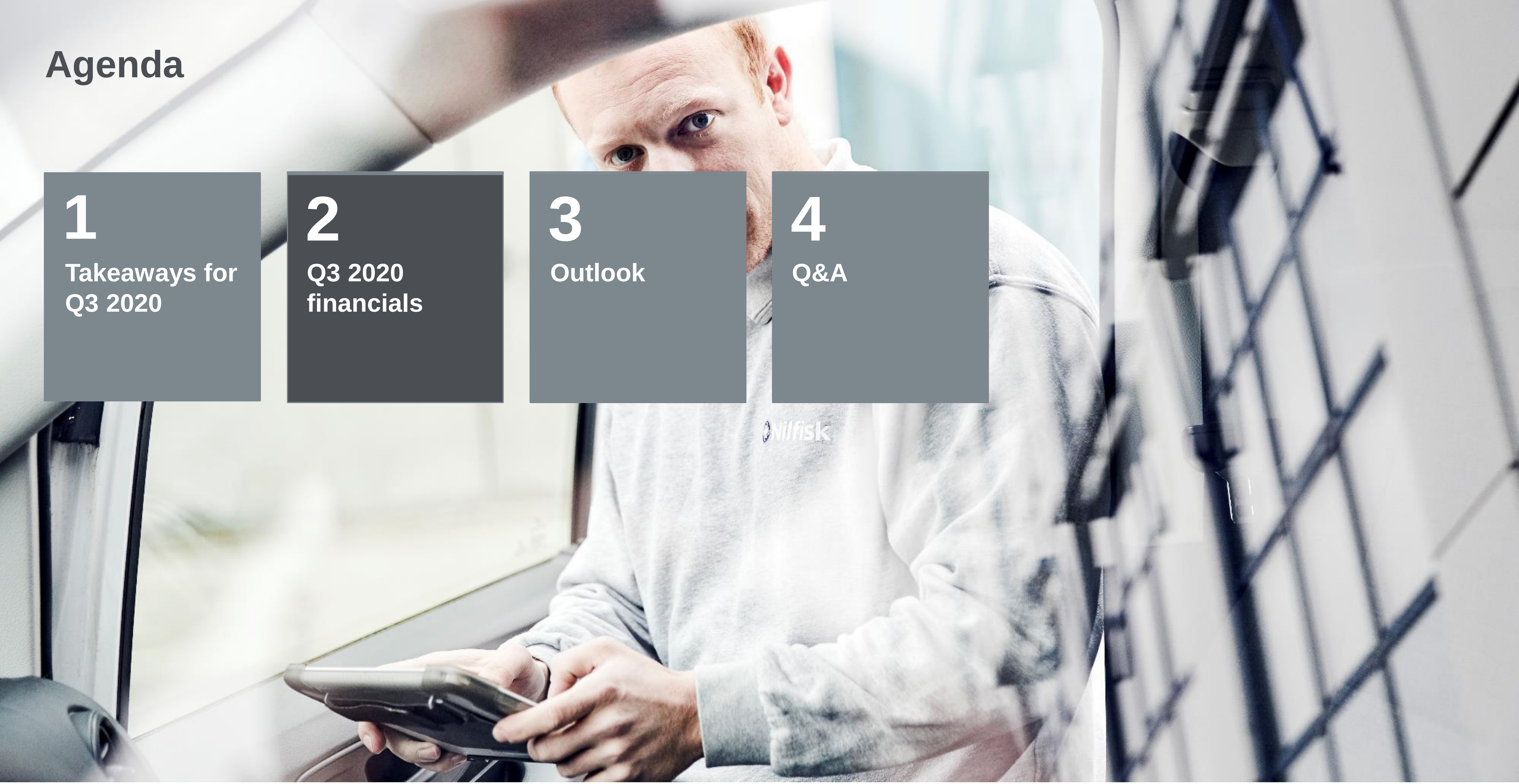
12.6%
EBITDA margin
before special items

The new autonomous scrubber from Nilfisk, the Liberty SC60, introduced in Q3 2020

Business update: Pick-up in demand and fully operational despite COVID-19 spikes

- Production and distribution sites remained operational at adjusted capacity
- Significant pick-up in demand across key markets
  - Solid pick-up in France and Italy
  - Continued improvements in the US
- New EMEA warehouse in Ghent in full operation
- Introducing the market’s largest autonomous ride-on scrubber, the Liberty SC60, built on software from Brain Corp
- Launching a new advanced UV-C light solution to the Liberty SC50

Agenda



1
Takeaways for Q3 2020

2
Q3 2020 financials

3
Outlook

4
Q&A

Income statement

EUR million	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
Net sales	**202.5**	**227.5**	-25.0	**612.7**	**732.7**	-120.0
Reported growth	*-11.0%*	*-10.3%*	*-0.7%*	*-16.4%*	*-7.9%*	*-8.5%*
Organic growth	*-7.3%*	*-6.8%*	*-0.5%*	*-14.6%*	*-3.4%*	*-11.2%*
COGS	-119.2	-133.4	14.2	-359.3	-419.2	59.9
Gross profit	**83.3**	**94.1**	-10.8	**253.4**	**313.5**	-60.1
Gross margin	*41.1%*	*41.3%*	*-0.2%*	*41.4%*	*42.8%*	*-1.4%*
Overhead costs	**-73.5**	**-88.6**	15.1	**-232.6**	**-270.9**	38.3
Overhead cost ratio	*36.3%*	*38.9%*	*-2.6%*	*38.0%*	*37.0%*	*1.0%*
EBITDA before special items	**25.5**	**22.3**	3.2	**69.6**	**92.5**	-22.9
EBITDA margin bsi	*12.6%*	*9.8%*	*2.8%*	*11.4%*	*12.6%*	*-1.2%*
Special items	-0.7	-5.7	5.0	-10.0	-20.9	10.9
EBITDA	**24.8**	**16.2**	8.6	**60.2**	**72.6**	-12.4
EBITDA margin	*12.2%*	*7.2%*	*5.0%*	*9.8%*	*9.9%*	*-0.1%*
EBIT	**9.1**	**-0.2**	9.3	**10.8**	**21.7**	-10.9
EBIT margin	*4.5%*	*0.0%*	*4.5%*	*1.8%*	*3.0%*	*-1.2%*

Comments

- Pick-up in demand month by month leading to organic growth of -7.3%
  - Impact from consumer exit from Pacific in 2019 of -0.8%
  - Negative impact from FX of -2.8%
  - Reported growth of -11.0%
- Gross margin in line with last year at 41.1% despite lower capacity utilization and higher logistics costs
- Lower structural cost and continued cost management led to improved cost ratio of 2.6 percentage points
- EBITDA bsi up by 2.8 percentage points driven by improved cost ratio
- Special items of 0.7 mEUR mainly relating to final phase of restructuring and final phase of the European DC transition

EMEA

	Q3 2020	Q3 2019
Revenue (mEUR)	**96.0**	102.2
Organic growth	**-4.9%**	-7.2%
Gross margin	**45.2%**	45.8%
EBITDA margin bsi	**25.4%**	24.8%

Comments

- Organic growth of -4.9% driven by solid recovery in demand month by month in key markets
  - Steep recovery in South region in particular
  - Norths and Central region also recovering
  - Industrial segment still negatively impacted
- Gross margin negatively impacted by lower capacity utilization
- EBITDA margin bsi up by 0.6 percentage points as a result of tight cost management and lower personnel costs

Americas

	Q3 2020	Q3 2019
Revenue (mEUR)	**64.0**	74.4
Organic growth	**-8.2%**	-1.1%
Gross margin	**40.6%**	40.3%
EBITDA margin bsi	**21.4%**	17.2%

Comments

- Organic growth of -8.2% positively impacted by pickup in demand month by month in the US
  - Canada still impacted by low demand with modest pick-up trend
  - Mixed picture in Latin America
- Disciplined pricing more than off-set negative impact from lower capacity utilization
- EBITDA margin bsi up by 4.2 percentage points driven mainly by lower personnel expenses and strict control

APAC

	Q3 2020	Q3 2019
Revenue (mEUR)	**15.8**	23.3
Organic growth	**-29.6%**	-5.1%
Gross margin	**37.3%**	39.1%
EBITDA margin bsi	**4.4%**	14.2%

Comments

- Solid recovery in Pacific region contrasting modest recovery trend in other APAC markets:
  - Further recovery in China and but demand still at a low level
  - Thailand, Malaysia and other mainland markets still heavily impacted by low demand
- Gross margin negatively impacted by inventory revaluation and low capacity utilization
- EBITDA and EBITDA margin negatively impacted by lower revenue

Other business units

Consumer

- Very strong performance in Q3 as a result of continued high demand and new customer wins
- Exit from Pacific region in Q4 2019 negatively impacting reported growth in Q3 2020 by -19%
- Gross margin negatively affected by higher logistics costs

	Q3 2020	Q3 2019
Revenue (mEUR)	**17.0**	15.2
Organic growth	**32.6%**	-9.2%
Gross margin	**34.1%**	35.5%

Private label and other

- Revenue down by 2.7 mEUR in line with expectations
- Gross margin in line with last year at 22.7%

	Q3 2020	Q3 2019
Revenue (mEUR)	**9.7**	12.4
Organic growth	**-22.0%**	-28.8%
Gross margin	**22.7%**	22.6%

Balance sheet and cash flow

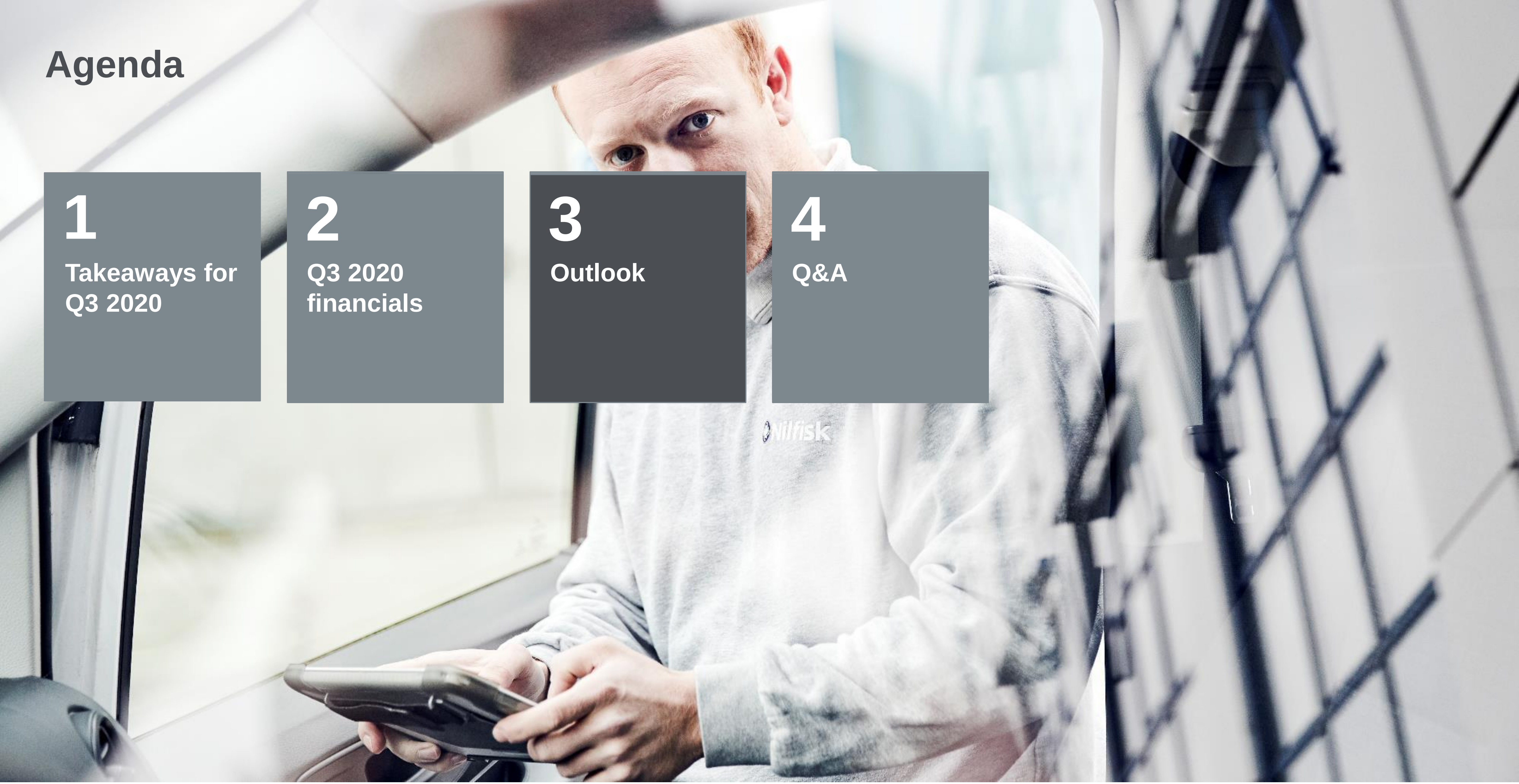
EUR million	Q3 2020	Q3 2019	Change
Inventories	147.4	182.5	-35.1
Trade receivables	155.5	185.1	-29.6
Trade payables	87.0	115.2	-28.2
Reported WC	144.6	176.7	-32.1
12m WC ratio	*19.9%*	*20.1%*	*-0.2%*
CAPEX	3.1	10.8	-7.7
Tangibles	1.1	4.3	-3.2
Intangibles	2.0	6.5	-4.5
CAPEX ratio %	*1.5%*	*4.7%*	*-3.2%*
Free cash flow	5.6	25.6	-20.0
RoCE	4.9%	11.7%	-6.8%
NIBD	402.3	431.6	-29.3
Financial gearing	4.2 x	3.4 x	0.8

Note: Financial gearing for Q3 2019 not comparable due to IFRS 16 impact last year

Comments

- Continued efforts on inventory management and credit collections led to reduction of WC ratio by 0.2 percentage points compared to last year
- Prioritization of projects and lower activity in R&D led to reduced CAPEX by 7.7 mEUR
- Free cash flow driven by operating result. Significant WC release in Q3 last year
- NIBD down 29.3 mEUR compared to last year due to lower working capital
  - NIBD down 4.1 mEUR compared to end-Q2
  - Total headroom of 208 m EUR as of Q3 (excluding RoU leasing liabilities)

Agenda



1 Takeaways for Q3 2020

2 Q3 2020 financials

3 Outlook

4 Q&A

Outlook 2020

- During the first part of Q4 we have seen a continued positive recovery trend in demand across all key markets, and, as a result, a continued positive development in our gross margin due to improved utilization of capacity. In addition, our continued efforts to tightly manage cost combined with a lower structural cost base have a positive impact on our operational leverage positively impacting our earnings
- However, we have also noted an escalation in the pandemic with renewed lock-down restriction being introduced in many markets. While we have so far not experienced a material negative impact from this development, uncertainty remains at a higher level than usual
- **Based on this, we therefore maintain our current financial guidance but expect our full-year results for 2020 to materialize towards the top end of the range**

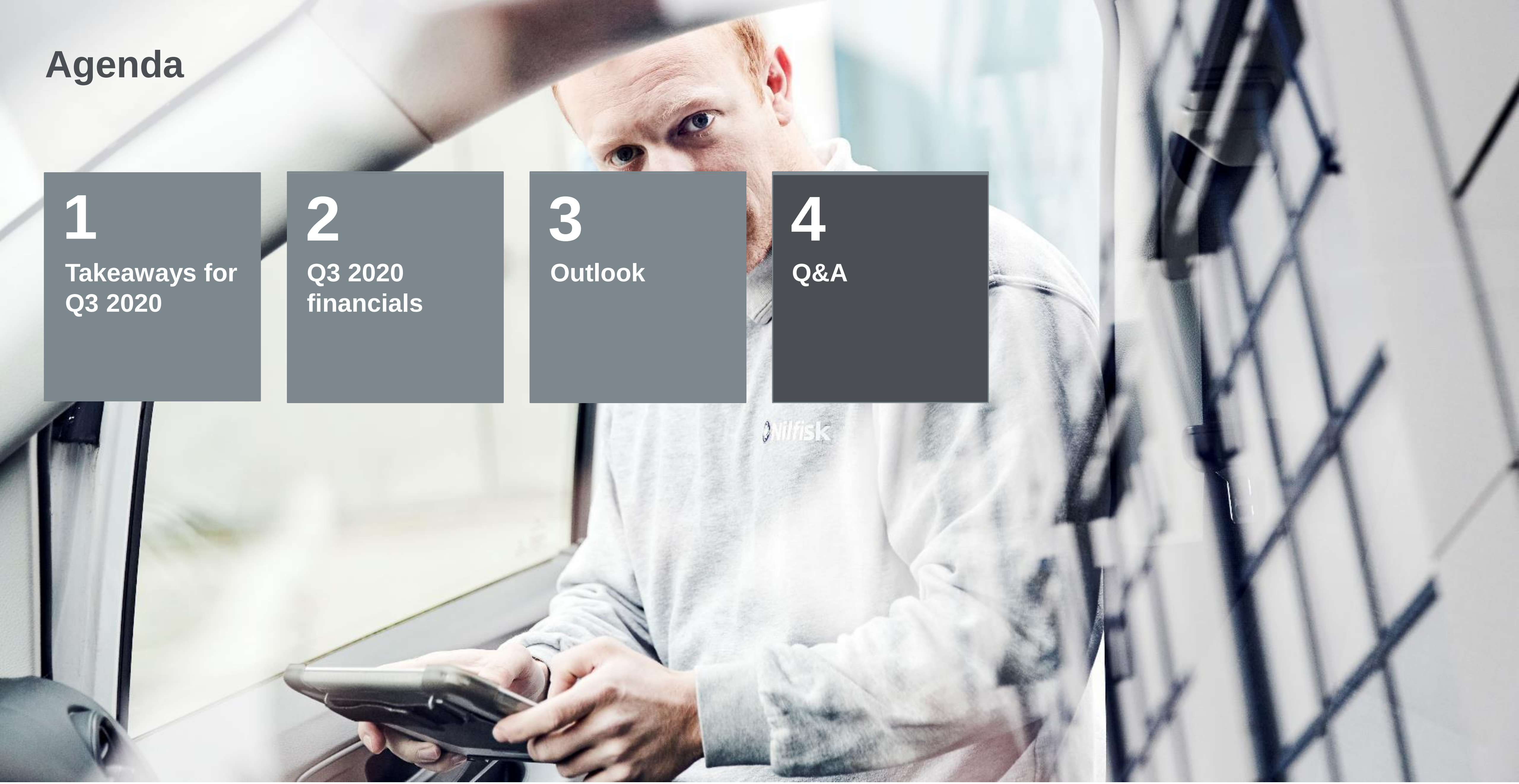
Outlook

- Organic growth for the total business expected in the range -12% to -14% (unchanged)
- EBITDA margin before special items expected at 10.5% to 11.5% (unchanged)

Modelling assumptions

- Impact on revenue from Consumer exit from Pacific region: *approx. -1%*
  (unchanged)
- FX impact at current exchange rates: *approx. -1.5%*
  (previously -1%)
- Special items: *approx. 15 mEUR*
  (previously 15-20 mEUR)
- CAPEX ratio: *approx. 3%*
  (previously 3%-4%)

Agenda



1 Takeaways for Q3 2020

2 Q3 2020 financials

3 Outlook

4 Q&A

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.