Nilfisk Q3 Interim Report 2019

Webcast presentation

Nilfisk

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Q3 2019: Negatively impacted by weakening conditions in EMEA

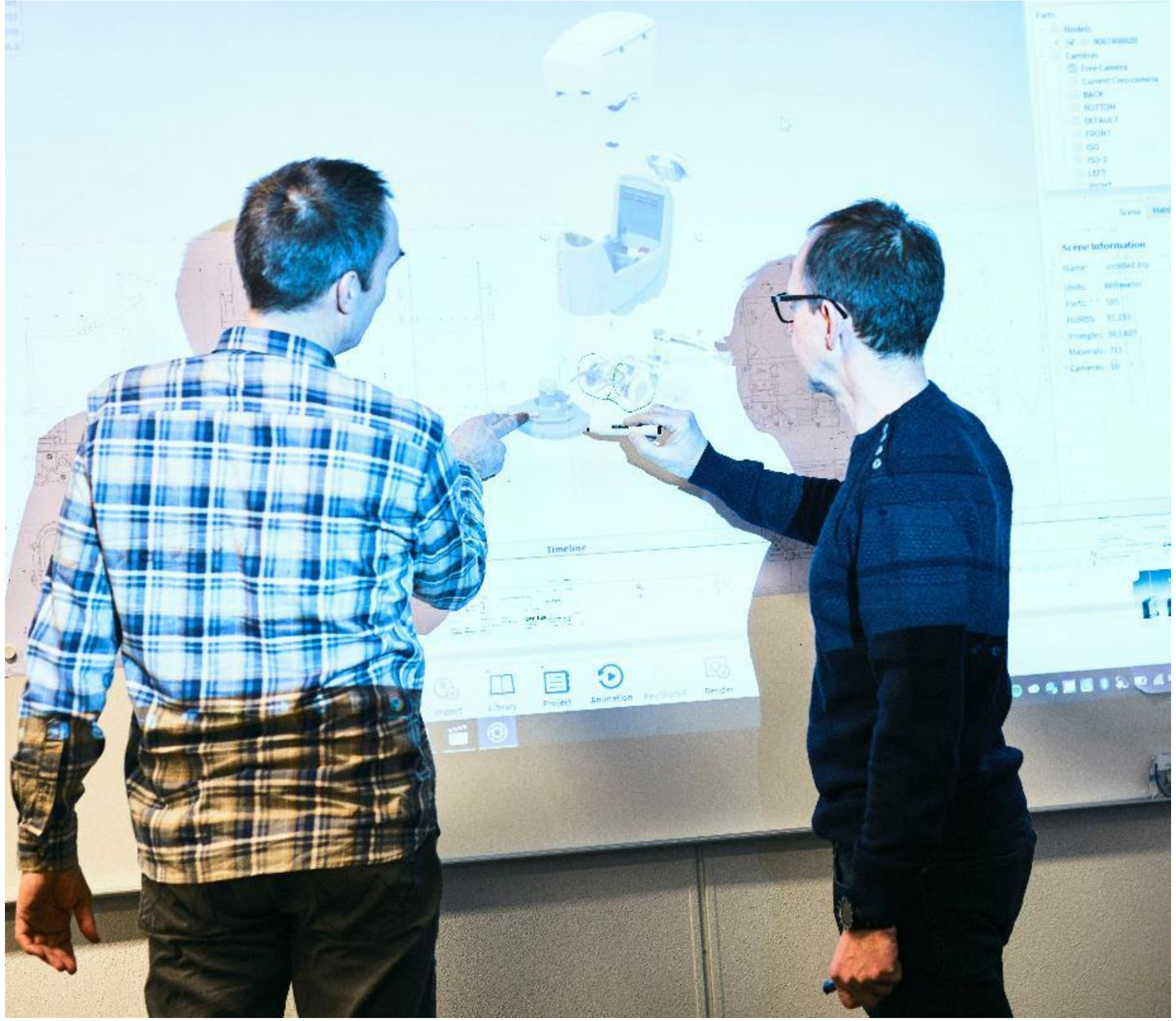
Financial highlights

- Weakening of economic conditions in EMEA and slower than expected realization of results in the US led to an adjustment of the full-year guidance on October 16, 2019
- Organic growth of -4.7% in the branded professional business
- Organic growth of -7.0% in EMEA to a large extent negatively impacted by Central Europe with Germany as the single largest contributor as well as a general weakening of the industrial segment across EMEA. In Q3 2018, organic growth was 8.3%
- In Americas, organic growth of -1.1% was impacted mainly by the high-pressure washer business
- APAC posted -5.4% organic growth impacted by low performance in Australia in particular
- Negative development in Consumer and Private label led to organic growth for the total business of -6.8%
- The gross margin increased by 0.6 percentage points to 41.5% driven by simplification initiatives but partly off-set by lower capacity utilization and US imposed tariffs
- EBITDA before special items and IFRS 16 (operating margin) down by 3.3 percentage points to 7.2% driven by higher overhead cost ratio

Execution of the Nilfisk Next strategy under changed market conditions

Simplifications to lower investments and costs

- Continued roll-out of global blueprint including support systems and process alignment
- Global Service function established
- Global Operations taking over local logistics and warehousing to be embedded in outsourced distribution centers
- New structure for Global R&D in order to increase efficiency including integration of development of autonomous solutions and digital services into the general Nilfisk organization
- Reprioritization and reduction of IT projects
- Back-end functions of the Consumer business integrated into the general business to harvest synergies
- General prudency across all functions and business areas



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Branded professional business

EMEA

- Weakening economic conditions impacting Central region and Germany in particular
- Weakening in the industrial segment across EMEA, particularly impacting South region
- Nordic region down due to large one-time order in Finland last year. UK flat due to more cautious customers
- In Q3 2018, organic growth was 8.3%
- Gross margin down by 1.3 percentage points impacted by lower capacity utilization and lower share of revenue from high-margin IVS and Food businesses

EMEA	Q3 2019
Revenue	104.2 mEUR
Share of revenue	45.8%
Organic growth	-7.0%
Gross margin	45.6%

Americas

- Negative organic growth in US business driven by the HPW business due to headwind in agriculture and the discontinuation of a large dealer
- Slower than expected realization of growth but continued execution of the US growth plan:
  - Demand generation
  - Focus on biggest potential
  - Upgrade and training of sales force
  - Focus on fewer but more important national accounts
- Gross margin down by 0.9 percentage point due lower capacity utilization as well as US imposed tariffs

Americas	Q3 2019
Revenue	74.4 mEUR
Share of revenue	32.7%
Organic growth	-1.1%
Gross margin	40.6%

APAC

- Negative organic growth driven mainly by Australia, Singapore and Malaysia
- Continued organic growth in China however lower than throughout 2018
- Gross margin down by 1.4 percentage points due to lower capacity utilization and lower share of revenue from Pacific region

APAC	Q3 2019
Revenue	21.3 mEUR
Share of revenue	9.4%
Organic growth	-5.4%
Gross margin	39.9%

Other business units

Consumer

- Competitive market conditions. Organic growth in line with expectations
- Gross margin positively impacted by hedging gain in Q3 up by 3.8 percentage points compared to a low level in Q3 2018

Consumer	Q3 2019
Revenue	23.3 mEUR
Share of revenue	6.7%
Organic growth	-9.2%
Gross margin	35.5%

Private label

- Organic growth negatively affected by significantly more cautious behavior from customers
- Gross margin up by 2.9 percentage points due to mix effects

Private label	Q3 2019
Revenue	12.4 mEUR
Share of revenue	5.4%
Organic growth	-28.8%
Gross margin	22.6%

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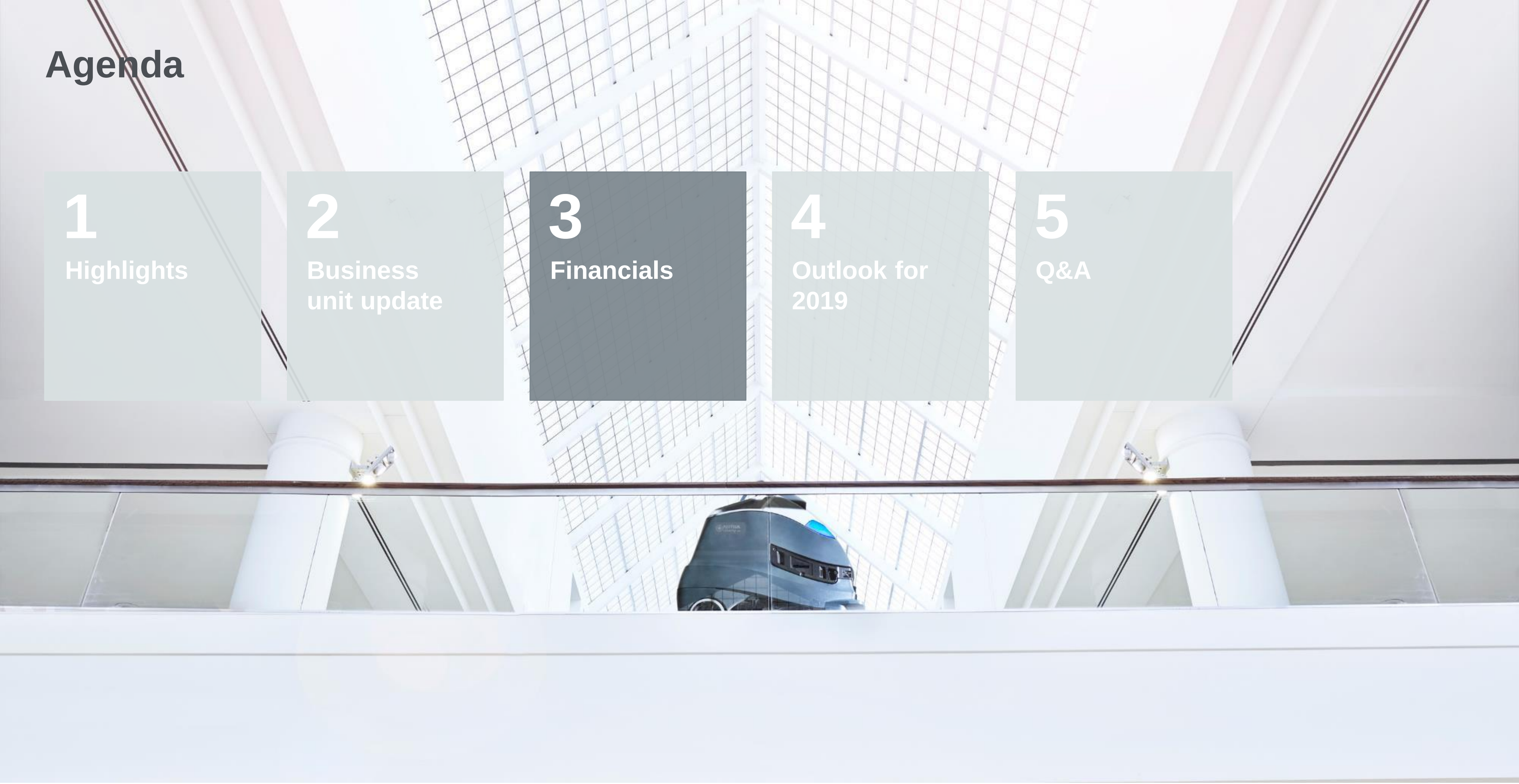

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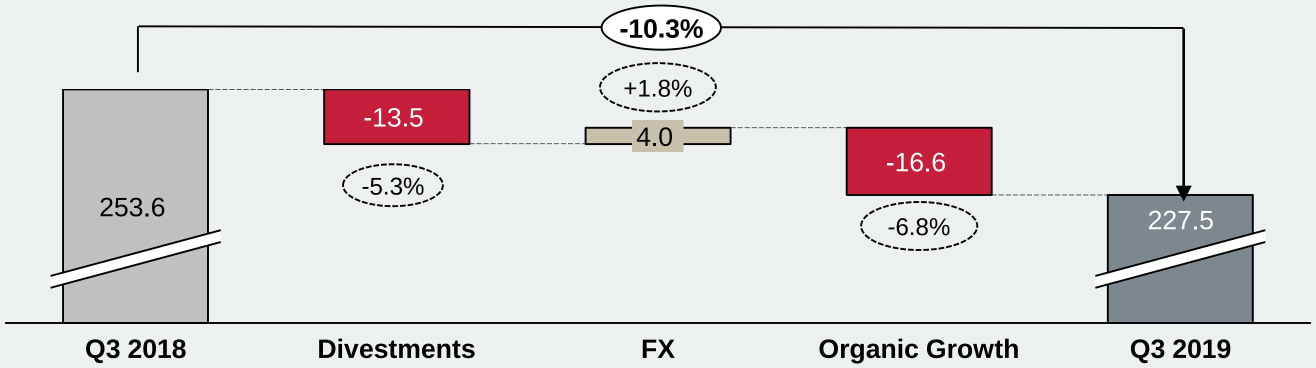
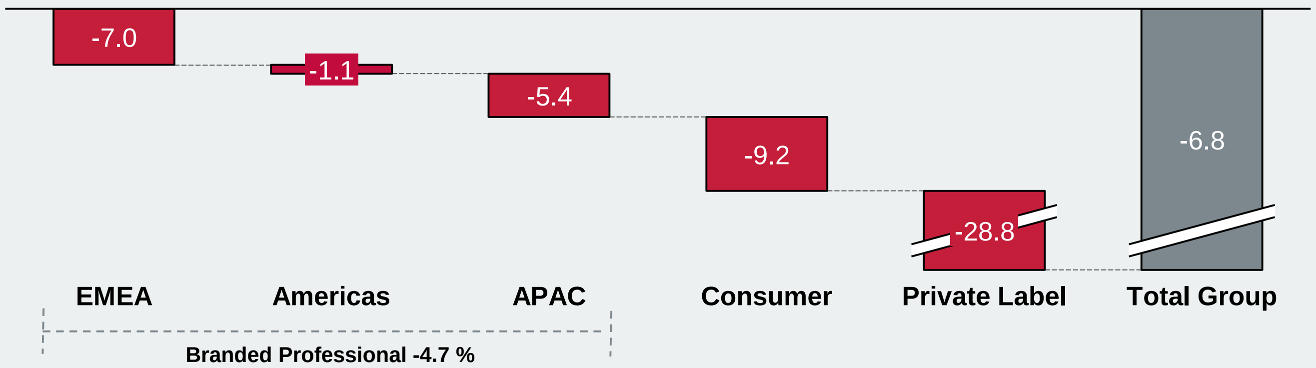
Revenue and organic growth development

Revenue, mEUR



Organic growth contribution, %



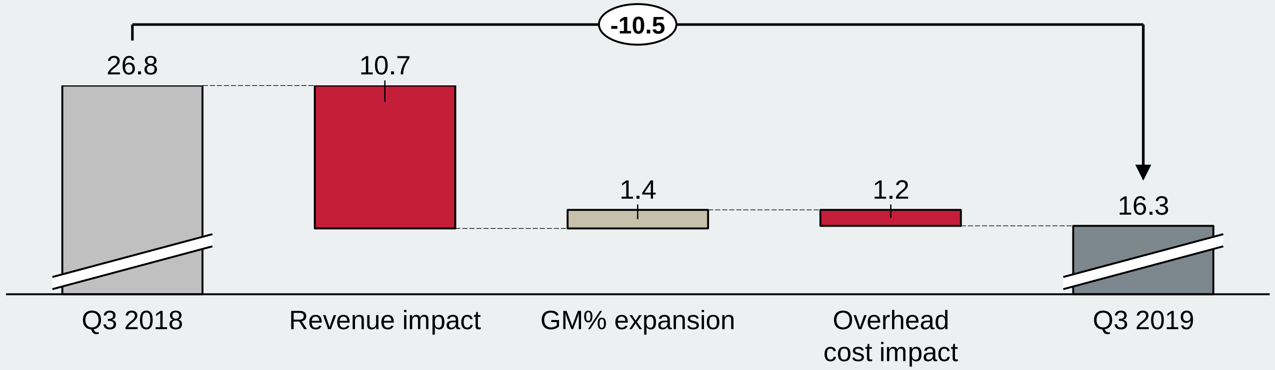
Comments

- Total reported revenue down by 10.3% vs. Q3 2018
  - Divestment impact of -5.3%
  - Positive impact from FX of 1.8% due to USD
  - Organic growth of -6.8%
- Branded professional business down by 4.7% impacted primarily by EMEA and APAC
- Organic growth for the total business further negatively impacted by Private label in particular

Development of EBITDA

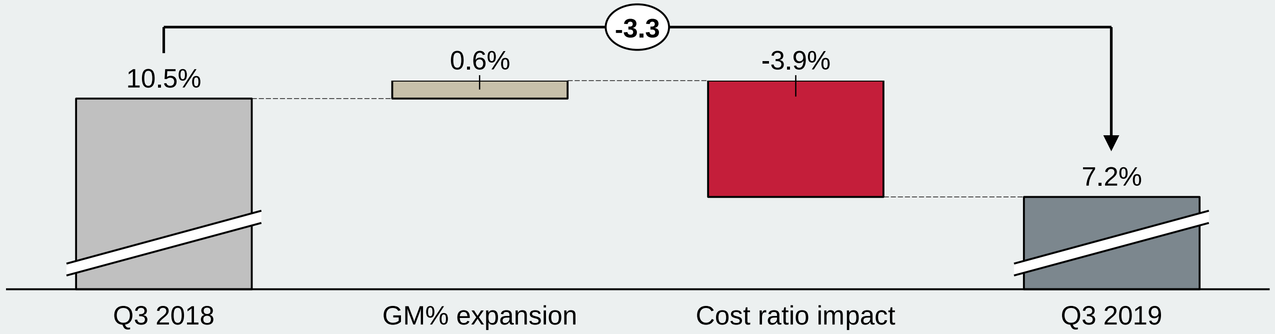
Before special items and IFRS 16

Contribution to EBITDA, mEUR*



- Before special items, phantom share impact (Q3 2018) and IFRS 16 (Q3 2019)

EBITDA margin*

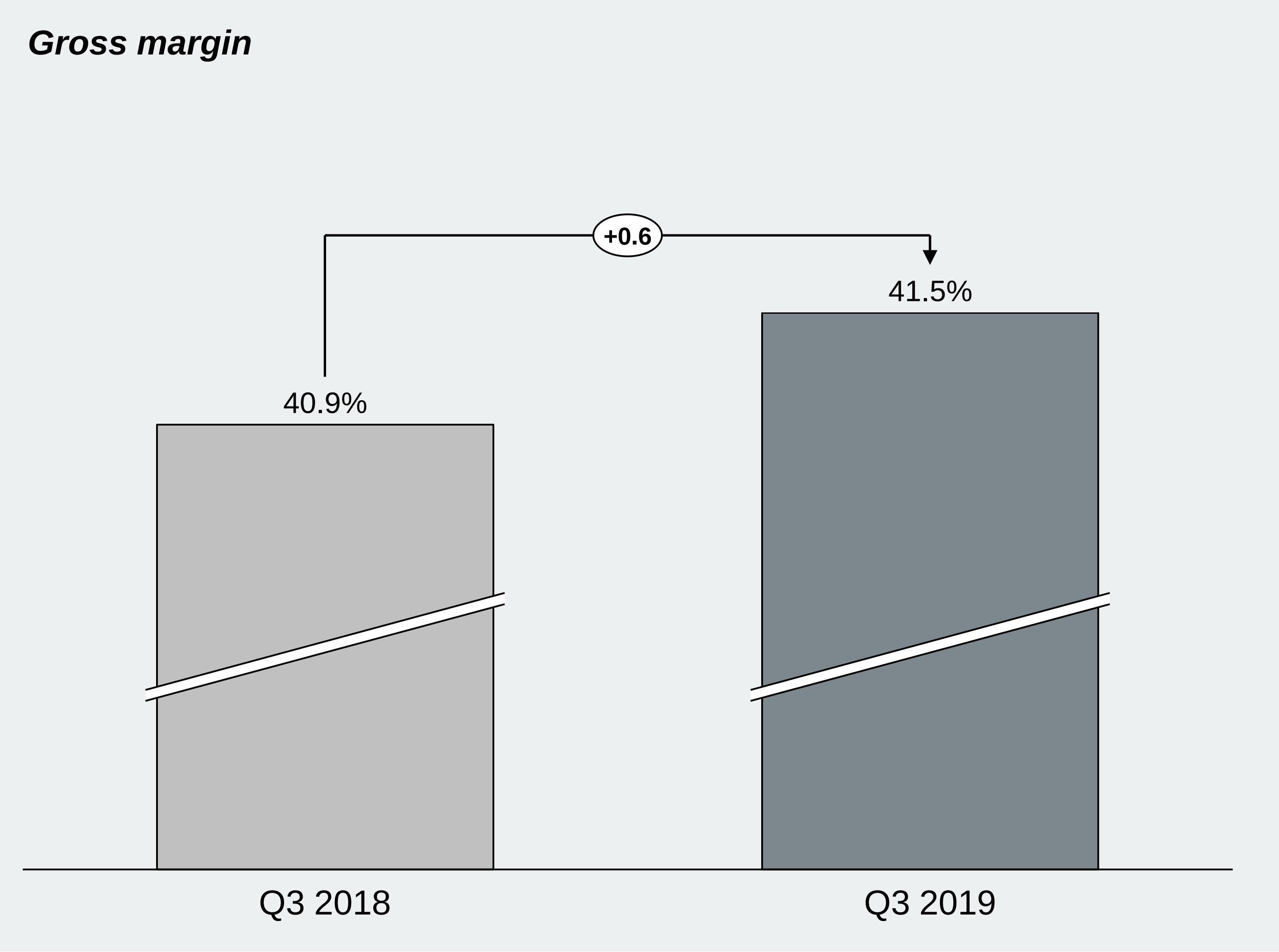


- Before special items, phantom share impact (Q3 2018) and IFRS 16 (Q3 2019)

Comments

- Lower revenue in Q3 significantly impacting EBITDA before special items and IFRS
- Slight improvement in gross margin not enough to compensate for higher cost ratio
- EBITDA before special items and IFRS 16 reduced from 10.5% to 7.2%

Gross margin development

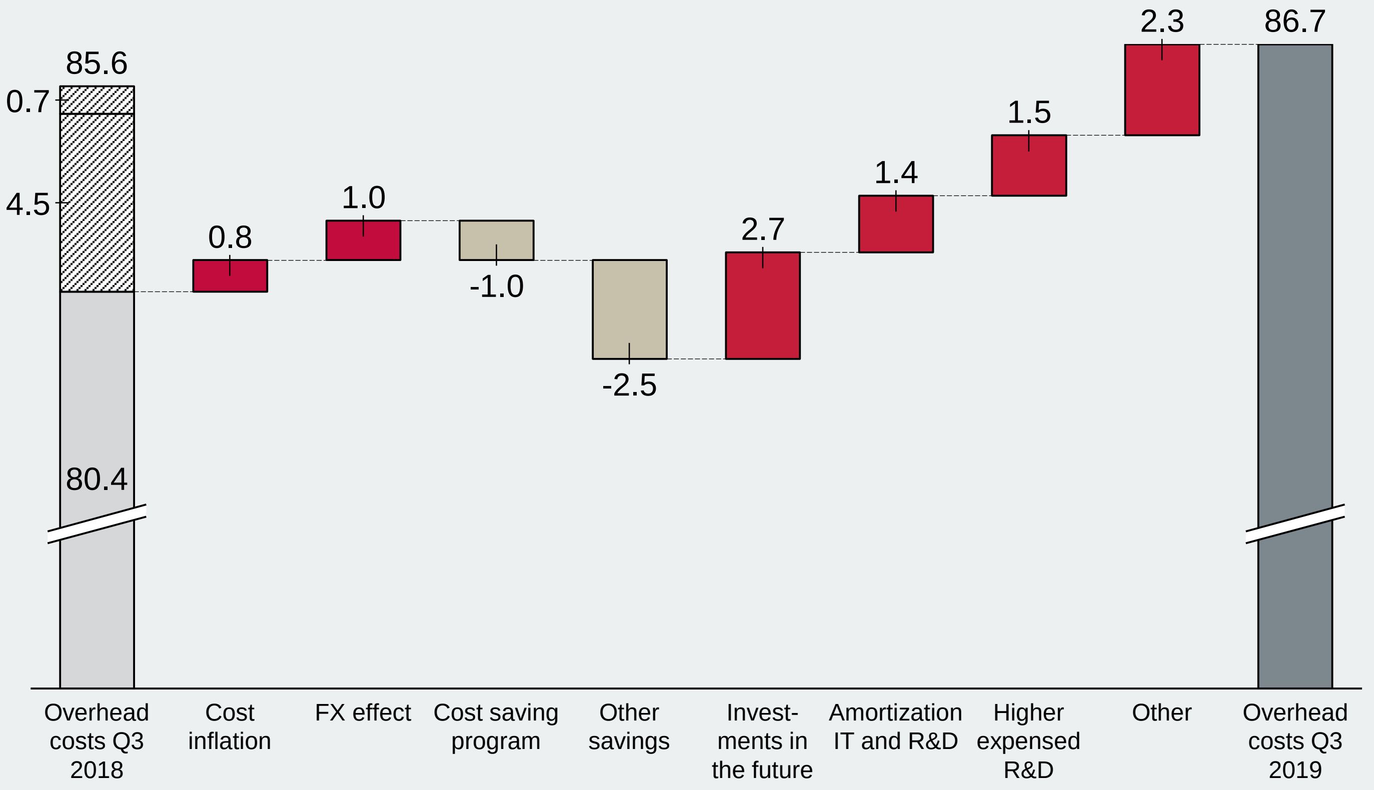


Comments

- Gross margin improvement of 0.6 percentage points driven by:
  - Simplification initiatives: divestments, production consolidation and pruning of product platforms
  - Procurement benefits
  - Pricing

  Partly off-set by:
  - Lower capacity utilization
  - Higher raw material prices and US imposed tariffs

Overhead cost development



Comments

- Adjusted Q3 2018 cost base of 80.4 mEUR, net of:
  - Positive effect from divestments of 4.5 mEUR
  - Phantom share adjustment of 0.7 mEUR
- Negative impact from underlying cost inflation and FX impact (mainly USD)
- Savings from cost saving program as well as blueprint roll-out and general prudency
- Continued investments in the future:
  - Marketing and customer insights
  - IT support systems
  - Digital Services and Autonomous Solutions
- Higher amortization due to higher intangible assets (IT and R&D projects)
- Higher level of expensed R&D costs compared to Q3 2018
- Other costs mainly include certain one-off items such as consultants and bad debt provisions

Balance sheet and cash flow

EUR million	Q3 2019	Q3 2018	Change
Inventories	182.5	196.4	-13.9
Receivables	209.5	217.3	-7.8
Payables	219.0	216.4	2.6
Reported NWC	176.7	194.2	-17.5
12m NWC ratio	*19.9%*	*18.0%*	*1.9%*
CAPEX	10.8	13.0	-2.2
Tangibles	4.3	4.5	-0.2
Intangibles	6.5	8.5	-2
CAPEX ratio %	*4.7%*	*5.1%*	*-0.4%*
Free cash flow	25.6	0.7	24.9
RoCE	12.3%	15.2%	-2.9%
NIBD	431.6	381.0	50.6
Financial gearing	3.4 x	3.2 x	0.2

Comments

- NWC reduced by 17.5 mEUR mainly driven by divestments and consolidation of production footprint
- LTM NWC ratio up by 1.9 percentage points
- CAPEX and CAPEX ratio lower than last year mainly driven by lower R&D spend
- Free cash flow up by 24.9 mEUR (18.8 mEUR net of positive IFRS 16 impact) driven by working capital improvements
- RoCE negatively impacted by IFRS 16 of -0.9 percentage point. Underlying ratio down by 2.0 percentage point mainly due to lower EBIT before special items
- NIBD down by 9.3 mEUR when adjusting for the effect of IFRS 16 (371.7 mEUR)
- Long-term committed credit facilities of 450 mEUR extended with maturity on July 10, 2022

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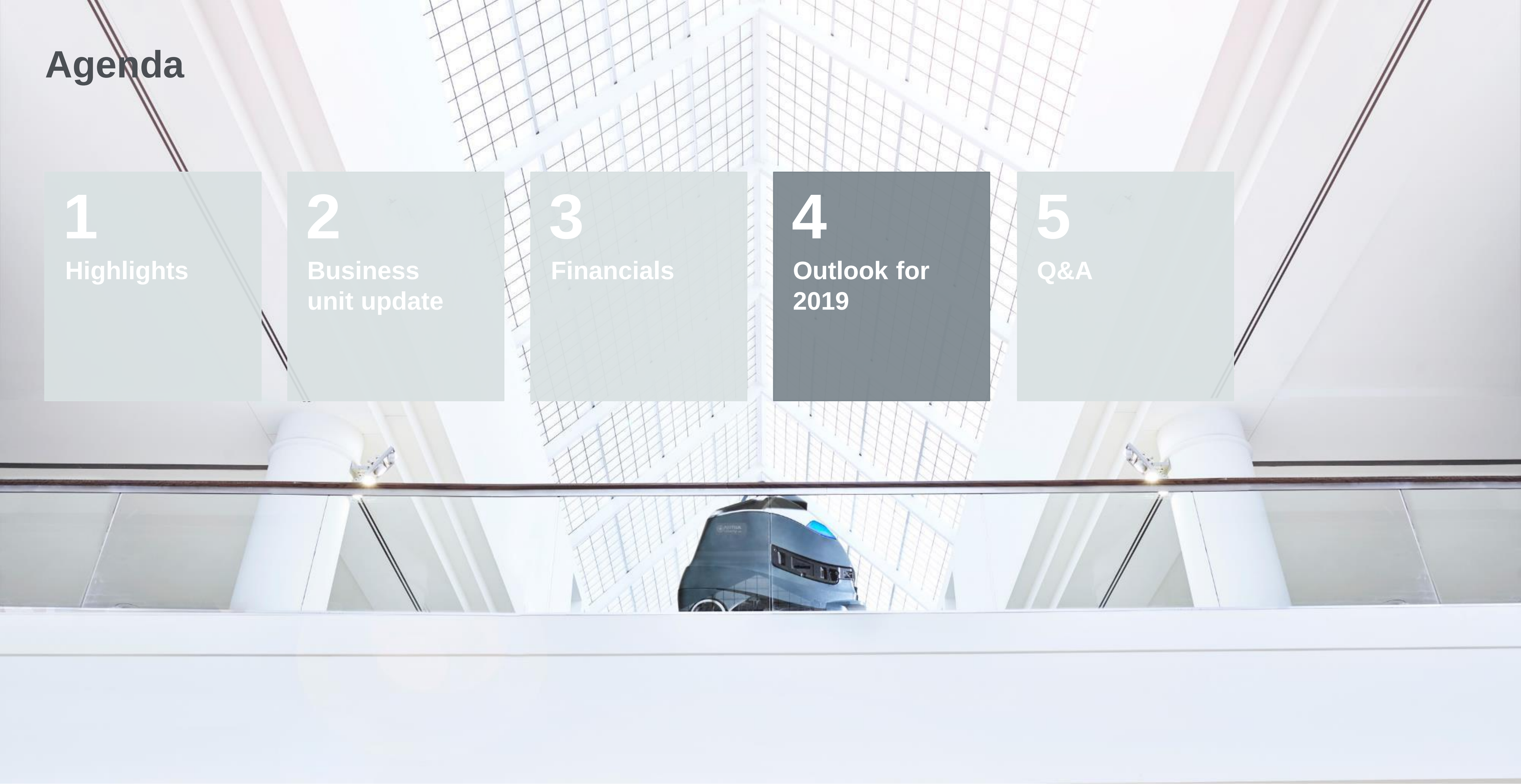

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Outlook for 2019

Organic growth

Approx. -3.0%
In the **Nilfisk branded professional** business

-10% to -15%
Organic growth in the **consumer business**

-10% to -15%
Organic growth in **Private label**

Approx. -4.5%
Organic growth in the **total business**

EBITDA margin

Approx. 9.5%
EBITDA margin before special items
Excl. the expected positive impact from IFRS 16 of 2.9 percentage points

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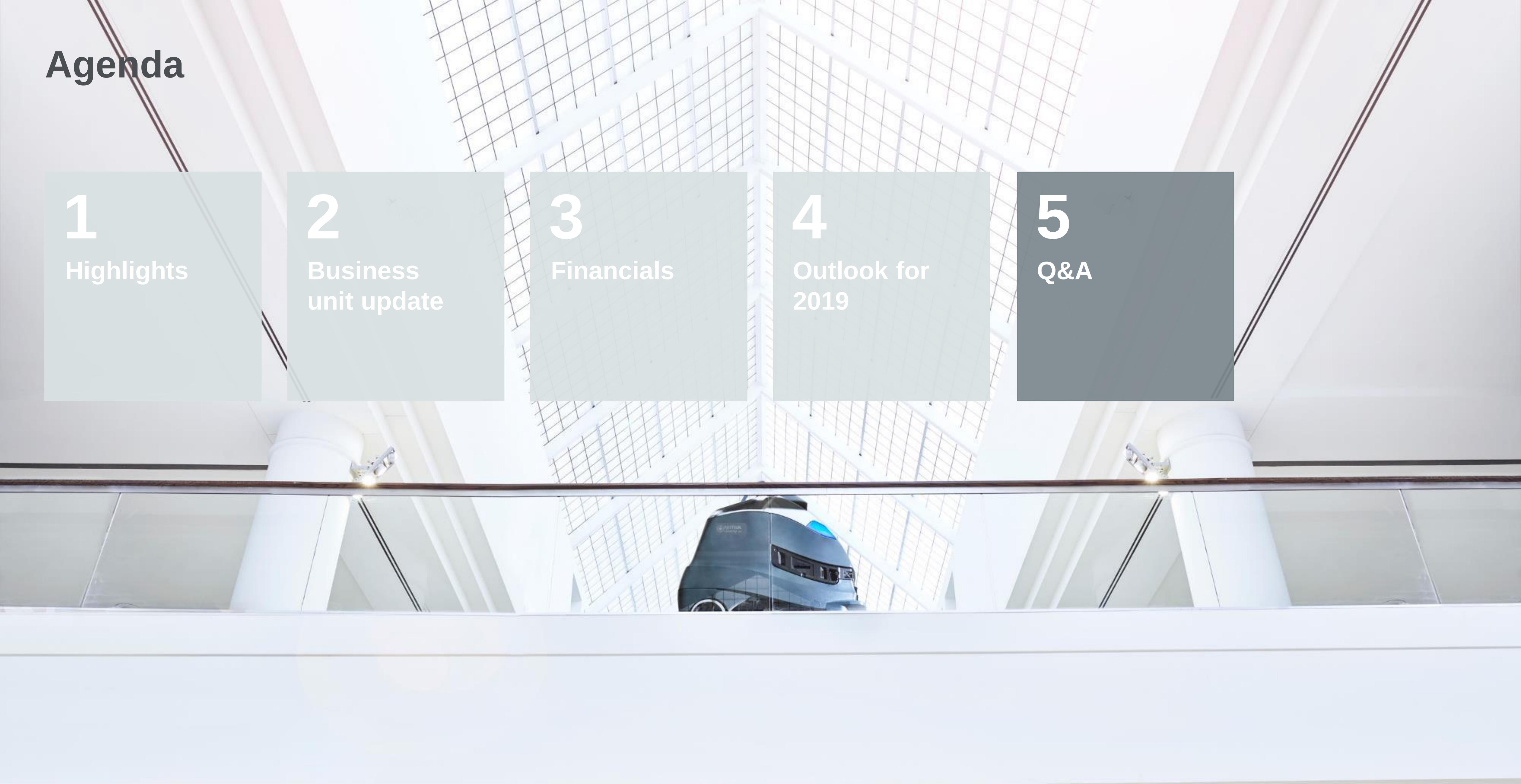

Q&A

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.