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PRESENTATION

Hans Henrik Lund ***Nilfisk A/S - CEO***

Thank you very much. Welcome to Nilfisk Q3 reporting. I'm here with Karina as always, and we will be your tour guides for the coming time. Following the structure that we always do giving you highlights, giving you a look at the business and the performance and then some deep dive into simplification initiatives that we executed in Q3, followed by financials and outlook.

Starting out with highlights. We had an organic growth for the quarter of 2.6%, year-to-date 3.3%. And the highlight of the quarter was a 4.5% organic growth in our core business, mostly driven by an exceptional good result in EMEA, and as you know, a less satisfactory result in U.S. -- Americas. We saw a gross profit of 40.9%, which is below what we expected. We started in the quarter seeing globally -- or Americas based, we saw impact of tariffs, we've seen material costs increasing, then we've had mix and we've had a few one-offs. Overall, we expect Q4 to go back up to a better gross margin level. And I'll comment a bit more in the details when we get to EMEA as well. So that's where we are.

We managed to deliver a satisfactory operating performance with 10.5 versus 8.9. And as you can imagine, we were a little bit disappointed on gross margin, so we have made it by really good and tight overhead control. All in all, good on the bottom line.

And if you then allow me to talk about the individual businesses, starting in EMEA, a good place to start. Again, 8.2% organic growth for the branded business is an exceptional result. If you take private label into account and you all remember we had exceptional high private label in Q3 '17, then the growth was 3.9%. We saw momentum literally across all the markets in Europe, except U.K. where we still see uncertainty and delays on projects given Brexit. Hopefully, we will get through that soon and see a more positive trend right there.

The market that did really, really well was France with 13% growth, and this was the last quarter for our GM, Jean-Philippe who has been with us 42 years. We will miss him, but of course, he ended on a very, very high note with 13% growth.

In Germany, we continued, again, with the double-digit growth just above 10%, good to see because after Q2, I was a little bit skeptical when the growth was caused by back orders being resolved or it was really the market that worked well for us. After Q3, I can conclude that the market has worked really well for us, and the investments we've done last year are now paying off. So very, very happy with Germany.

Spain, Portugal, Eastern Europe also performing really, really well. So across the board, good performance.

Gross margin was flat on last year. And you can ask a question, how's that possible, because at the end of the day, you had more private label last year so you should expect to see an increase. You're right about that. We have been hit this year by a lower service margin because we invested end of last year and we haven't fully gotten to the level of service margin we need in Europe. That's the explanation. The other angle is, of course, that we've had higher gross profit in EMEA in the first half, so what has really changed in Q3? In Q3, we had a bit of our product mix where we were selling more high pressure washers than the previous quarters, and that has driven it. And then we had some rather large deals and a little bit of a lower margin. That drove some of it as well. Nothing dramatic, things that will correct itself. But we do need to have a stronger focus on our service margin across EMEA.

So that's -- that was the EMEA story that we like, of course. And then on to the story that we don't like, Americas. Again, we have not promised that we would grow in Q3, but we had hoped we would, and we did. We ended flat, and the reason was we had 2 strategic accounts that moved out of the quarter. Initially in the quarter, we had a couple of cancellations because the lead times, as we've spoken about, on industrial equipment are longer. The good news is, by end of the quarter and going into October, we've seen record high output from our industrial line in U.S. very promising so that is positive. And then finally, we have implemented Service Max during the quarter, and that give us a bit of lower service activities, especially in September, so that's really what it was.

Latin America, we're happy with, grew 11.2%, all good. Again, gross margin is okay at 40.5% and up 2.1 percentage points compared to the same quarter a year before. So good development there. We repeat that we expect to see Q4 positive growth out of Americas, and we are working really hard closing the quarter so we get it right.

We've announced a leadership change of Americas. Andrew Ray has been with us for a couple of years, and I made the decision that it was time to do it slightly different. There has been no drama with that announcement. The organization has taken it well. I have spent enough time there to explain it, and we are now looking for a little bit of a different profile. We're looking for a person that is very hands-on, very executional focused in the actual sale. And that search is ongoing.

And I should note, while that search is ongoing, I'm there taking the interim job, which is actually quite helpful for all of us. And there are 2 things that I am doing, fighting hard to close the quarter, and then basically with the sales team and the American team, building a solid execution plan for '19. So that's what it is. All in all, not happy with the Q3 performance.

APAC, it's a time of change. We've done so much change in APAC this year in terms of new GMs, new people and regional level. We start out the year strong with growth rates of about 4% to 5%. So 2% in Q3 is kind of mediocre in a competitive situation as well. But given the amount of changes that we are doing, I'm actually okay with it. And we're building a strong team for '19, which is exactly what we should do.

The -- China is the bright spot. Again, double-digit growth every single quarter for God knows how many quarters. So that's an extremely positive market. Soon to be the largest market in that region. So very positive. Gross margin, okay, 40.6%, up from the same quarter the year before, all as it should be. But not -- I had hoped for more growth, to be honest. However, given the amount of changes we are going through, it's a fair result.

Then we move to Specialty Professional, growth of 5.7%. We had really high growth rates first half of the year. We did tell you at that time that it was over-proportional and not sustainable, and then now, we are at a different level which is a more sustainable level, of course. Interesting to see that the continuing part of the business was delivering 9.6% growth. That's exactly the level we expect that we can maintain.

We saw negative growth from the 2 businesses we have divested Outdoor and the Restoration business, HydraMaster. Both concluded, as we promised they would be, and I'll talk a bit more about that later. Then if you look at the gross margin in that part of the business, we're significantly lower than we were earlier, and that is due to the Outdoor and Restoration businesses for the -- being bigger part of the business and lower margin than we've seen before.

All in all, very happy with FOOD and IVACs which is the continuing part of the business. As you know, very profitable part of the business that we look forward to, to keep growing.

Consumer, a quarter that was minus 1.4% growth. And remember, the main thing for us in this business is to improve profitability, and we're on that journey successfully, improving the EBITDA by 2.7 percentage points year-to-date compared to last year. So that's growing. We are not focusing on really growing it, but much rather improving profitability. We had a self-inflicted issue in terms of delivery because we closed the factory in Suzhou, and we did that forced a little bit sooner than we had hoped for. So that has impacted Consumer in Q3 and will in Q4 as well.

Gross margin, slightly down. There are some raw material impacts here and some mix impact. So all in all, we basically handled to improve the profitability of Consumer by working on the overhead structure and the setup, which is exactly what Thomas was set out to do. So acceptable from that perspective.

Then that brings me into the simplification initiatives and they remain in this quarter. You know that we found ourselves in a -- as a soft scale player in outdoor, very investment heavy and hungry business and we didn't really find any synergies with the rest of the business, hence we decided to sell it. That was a long process. We managed to now sell off the Danish part of it to actually the brothers that we bought it from. Very happy to be able to do that for, of course, Nilfisk, but also for the people involved. Effective January 1, so it's our last quarter in that business.

The Italian part of the business, we are simply expecting to close down. We've not found a suitable owner to it, to that part of the business, so that will be a close-down that we will work on now and first quarter.

The HydraMaster restoration business, we have sold effectively October 29. So that's done by now. Again, a small niche market where we didn't see the right potential. Fortunately, somebody else did. One of our dealers that's known that business for many, many years decided to buy it. And then we've sold off a small HPW business in Turkey called [Rotest]. So quite happy with execution of these activities.

Then on production footprint, as I mentioned earlier, we have sold off -- not sold off, we've closed our production facility in Suzhou. We've outsourced part of the products and other part of the products we have integrated in our own facility in Dongguan. So basically reducing the footprint. As we have communicated, we've ran into a strike at the factory, hence, we decided to close earlier already in Q3. We had planned for Q4, so that has given us some delivery issues for consumer and private label.

Then on top of that, we have consolidated our manufacturing into Hungary, we've moved it from Guardamiglio, which means that we expect to expert Guardamiglio as well. If I can kind of add it all. what we've done then out of the 17 sites we have manufacturing in, we expect now to be able to go down to about 11 when we -- all is said and done. So a significant forward move on that part that I'm really happy with.

So there are financial impacts of these simplifications. Of course, and I'll leave it to Karina to walk you through the rest of it.

Karina Deacon ***Nilfisk A/S - Executive VP & CFO***

Yes, thank you. If you look at Slide 13, I would just outlined that the impact on cash flow is expected to be slightly positive over time. There is, for instance, a building that we will need to dispose of later on in 2019. But overall, these investments will have a slightly positive impact on cash flow.

If you look at the P&L, when we did the divestments we said that the expected EUR 30 million to EUR 35 million charge in the P&L and about EUR 20 million of them hit Q3. It is, of course, related to the accounting for this because when we have to classify this as assets held for sale, we also do the impairment set, and that led to impairment of primarily capitalize R&D and also a write-down of inventory. So that means that we're looking at, as I said, EUR 20 million in Q3 and then in Q4, we will look at something in the region of EUR 5 million to EUR 10 million. The reason I can't say exactly what it is, is very much linked to our negotiations related to the Guardamiglio plant.

We're currently in discussions with the union. And depending on the outcome, that has an impact on the timing whether they will be incurred in Q4 or Q1 of next year when we talk about the restructuring charges related to people. None of the divestments have any goodwill impairment, and when we look at the overall Specialty Professional, we don't have any goodwill issues related to that.

We also said when you look at the divestments and I will repeat that, that we expect in uplift in our margins from these divestments of between 0.2 and 0.3 percentage points. If you look at the math around it, you can calculate it by saying that the outdoor is probably somewhere around 5% lossmaking. The HydraMaster is about breakeven, but then as we've talked about throughout the year, we had to deal with the so-called sticky cost where some of the costs, they cannot be taken out of the business immediately, and that's something we'll have to work with over time. So overall, that's what leads us to this expected uplift of 0.2 to 0.3 in 2019.

If we turn to Slide 15, let's have a look at the gross margin. As Hans Henrik already said at the beginning, it was a slight disappointment. They were in line with Q3 of last year, but we had hoped that it would be even a little bit higher. The reason was very much linked to some one-off costs. We had the service margin in the U.S. impacted by implementation of the Service Max system which meant that we had some service technicians focusing on internal issues rather than selling and that had a one-off impact here in the beginning of -- or in the Q3.

Also, we had a new production setup in our high pressure washer business in Florida where they moved into a new production scheme and that caused us some one-off charges in terms of overtime and other one-off issues which are not expected to be repeated.

Then we have a mixed impact in Q3 in isolation. We did have a higher percentage of private label revenue when we compare to Q1 and Q2. And then as we have talked about before, raw materials, nothing new as such, but just more contract running in with a higher level of raw material prices. So we don't see any increase in prices as such, but this is simply a reflection of what had happened previously.

When we look at tariffs, we begin to see an impact of that in our numbers. As you know, it has been implemented in phases. And in Q3 results, we see basically the impact of Phase 1 and 2 because Phase 3 only came into effect late September. But that means that we will also see an increasing impact when we go into Q4 because then we'll have all 3 phases in effect.

When we look at then Q3 '19 -- '18, sorry, versus '17 where they are in line, as we already talked about when it came to EMEA, this also one of the main reasons when we look at the group. Yes, we did have a lower share of private label revenue when we compare to Q3 last year, but the service margin deterioration has an impact also at group level that sort of outweighs that.

When we look at then Q4, and I'm sure some of you will remember that we have indicated that we hope to see a full year improvement in gross margin, then I have to say that I see a risk in that right now, and that is mainly due to the raw materials and tariffs because that will, as I said, have a continued impact in Q4. Obviously, we have held -- when we compare to last year, we have held that the private label will be less, but the tariff impact is so high, so I will not promise you any uplift on a year-over-year. Of course, we do everything we can, but I do see a risk in achieving that target.

Looking at Slide 16, not so much to add here apart from the being pleased with the 10.5% in operating margins, a 1.6 percentage point uplift over last year. It is very much due to a lower overhead ratio. We had the impact of the cost saving program kicking in, but then we had also a very tight control of our cost in Q3 looking at the full year where we want to reach the target that we have communicated. So we have been very careful about what we spend in Q3, and of course, also into Q4.

If we look at overhead in isolation in Q3, we reduced them by about EUR 10 million compared to quarter 2. So even though we had higher activity in Q2 as we always had, then we were able to keep the ratio in line with Q2.

The impact from the phantom shares in Q3 have a positive impact -- sorry, a negative impact in Q3 in isolation of EUR 700,000. But as we talked about before, we see that impact trailing off because we had settled a number of the phantom shares during the year. So I hope that when we get into '19 we don't have to talk more about this because it is slightly confusing for everyone.

Turning to the cost-saving program. The overall conclusion is that it's on track. We keep executing and we have executed initiatives with a value of around EUR 2 million during Q3. They're very much related to continued overhead improvement. We have talked a lot about the finance transformation where we outsourced. That, of course, continues. But we also had some other overhead savings that kick in. And then we're starting to see a positive impact from our production moves clearly showing off that -- we walk as we talk when we said that we want to reduce a number of sites and that we also expected to see a financial impact of that.

This means overall that if we compare where we are year-to-date, we had a net effect, a positive net effect in our P&L of EUR 4 million in Q3 and EUR 9 million year-to-date. We think there is still more to come in Q4, so we still expect that you will see something around between EUR 11 million and EUR 13 million positive impact on P&L for this full year compared to 2017.

Looking at working capital, we do see an increase in our working capital ratio compared to revenues compared to Q2. And I talked about after Q2 that I was not happy with the development, and of course, I'm even less happy when it continues to go up. The positive news in this is that we did see a negative impact from our accounts receivable when we talked about Q2. We have since then seen a good progress and we have managed to bring accounts receivable down. So we see a decrease in DSOs compared to the higher level we saw in Q2. So happy with that.

Of course, still something to monitor closely and we continue to work with that. But at least elevated level we saw in Q2 has not been reduced. So what's left now is continuing higher level of inventory, partly self-inflicted because we're doing the production move so that comes with a stocking up in some of our factories. And then I will also say that we do in the local inventories still see a slightly elevated level to what we think it should be, and we continue to work on bringing that down. What that, of course, means that we also indicated after Q2 that I don't expect that we'll reach our long-term target of EUR 17 million or a little bit above that. We will not reach that in 2018 because we, as you know, calculated on an LTM basis.

Looking at the return on capital employed, we do see an improvement over Q2, and that it's basically higher EBIT before special items that we had in Q3 facing versus Q3 '17.

That brings me to the outlook. Nothing new to bring to the table on that one. We will reiterate what we set out October 11. So expect organic growth of around 2% on revenue, and we expect our EBITDA margin before special items to be in the lower end of the range, 11.5% to 12%.

And that concludes the presentation. So now we will hand it over for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will now take the first question from Casper Blom from ABG.

Casper Blom ***ABG Sundal Collier Holding ASA, Research Division - Lead Analyst***

Two questions for my side. The first one goes to Hans Henrik. Regarding the U.S. and the situation you're in over there, first of all, could you elaborate a little bit more on what is it that has gone wrong? If I think back sort of a year or so, we were at the CMD and I think you were talking about Andy very positively and now you want to replace him. What is it that has gone wrong there? What is it that needs to be fixed? And when would you sort of expect that we could see the U.S. business being back to, how can I say, the group target of 3% to 5% organic growth? That's my first question. The second question, I suppose, is more for Karina. You mentioned high raw material cost and the U.S. tariffs having an impact. Can you give any sort of guidance on how that will pan out for 2019? Are we sort of seeing half of the impact this year and half next year? Or how should we think about that?

Hans Henrik Lund ***Nilfisk A/S - CEO***

Casper, thank you. The U.S. question, I think I alluded to it already, Casper. I said that I would be looking for a more executional focused person, close to customers and very hands-on. I think therein lies a lot of the answer to your question. And I don't think I want to go further in that conversation. Andy, and I said it before, has done good things during his tenure with us, but I want a little bit more hands-on, fast-paced execution. That's really what I'm looking for. Then you asked when are we back to the group guidance of 3% to 5%. We're building the '19 plan as we speak. The ambition of that plan will be in that neighborhood, Casper. Again, we need to get into that '19 and see it. I'm cautious knowing what happened in '18 and so on and so forth. I reiterate that we will grow in Q4. That's going to be the first quarter where that's going to happen. And then we expect to continue doing the same into '19. So '19 should be the answer to your question.

Casper Blom ***ABG Sundal Collier Holding ASA, Research Division - Lead Analyst***

Okay. If I can just sort of a follow-up a little bit. Other than sort of, how to say, your own performance, do you see any sort of difference as to the competitive side in the U.S.? I mean, looking at Tennant, for example, it seems that they've, sort of, really have quite a comeback in the U.S. with quite impressive organic growth. Is that also part of the explanation?

Hans Henrik Lund ***Nilfisk A/S - CEO***

The market is there, Casper. Our competitor has shown that the market is there. We've had a year where we have failed to execute on that for various reasons. You know them from the math, losing a big dealer, not being able to deliver industrial machines in the quantity we need was, of course, painful. So the market is there. It's down to our execution. We see it. And you know from everything related to U.S. that there is a strong market these days. So it's our own execution, our own doing that we need to get in order. When I look at it now, I believe from a delivery perspective, it's getting much better, and so that's a good start. And now I'm working intimately with the -- our sales and marketing team to make sure that we have a very coherent plan for '19. So across all functions, we should be better aligned. That's really what it is.

Karina Deacon ***Nilfisk A/S - Executive VP & CFO***

Should I address the tariff question then? I guess you asked about what we should expect for '19. This is, of course, a moving target. You can read it in the papers or follow a tweet to see what happens. But at the moment, we do foresee that we will have the significant impact in '19. I will say it's a single digit -- a single -- yes, single digit number, but in the high end, so when we look at the P&L, it's something we need to be very focused on when we go out and find price increases to make sure we tell the customers that we are seeing this increase. We will, as I said, we have not seen so much in Q3, but Q4 will be higher and then '19 will be a quite high figure.

Casper Blom ***ABG Sundal Collier Holding ASA, Research Division - Lead Analyst***

Okay, so that means that the tariffs could basically eat up the majority of the cost-saving program, not everything...

Karina Deacon ***Nilfisk A/S - Executive VP & CFO***

If you treat it in isolation, then yes. But of course, we will look at the price increases to get compensation for that.

Casper Blom ***ABG Sundal Collier Holding ASA, Research Division - Lead Analyst***

If I just may ask, how do you see these tariff impacting your competitors? Because I guess it would be difficult for you to go out with significantly higher price increases than competition.

Hans Henrik Lund ***Nilfisk A/S - CEO***

I don't think we will, Casper. And from everything we know, competition is out there as well. We've seen some of it already, and there is more to come, so I think the industry is realizing that we need some significant price increases.

Karina Deacon ***Nilfisk A/S - Executive VP & CFO***

You hear everyone talk about the tariff impacts. The quantification of it is not so clearly communicated, but everyone talks about it. So I would assume that it's the same level as what we feel.

Operator

We will now go to our next question from Kristian Johansen from Danske Bank.

Kristian Tornøe Johansen ***Danske Bank Markets Equity Research - Senior Analyst***

So first question is on EMEA and this underperformance on the service margin. Can you just elaborate a bit more in detail what is driving this and what we should expect sort of into Q4 and next year as well?

Hans Henrik Lund ***Nilfisk A/S - CEO***

So what -- thank you, Kristian. What we did was we did investments into the service force or in EMEA, and we did it in Q4. We've done some in Q1 as well. And in reality, it is taking us longer to get these people to be fully effective. This is down to really hard work locally where we need to optimize the way we do things and how we get these people integrated in the right way. The services business is so important to us. We're very focused on getting that margin back. It's really hard work at a local level where we just have to do better in small things. It's down to planning of our service technicians are driving. It's down to planning how they work. It's down to planning what kind of spare part they carry with them and so on, so forth. It's a very operational task that we know there is improvement we can go after. So part of it is related to an amount of new people. Part of it is that we need to take a new initiative to keep improving our current operation.

Karina Deacon ***Nilfisk A/S - Executive VP & CFO***

We can also add that we've seen, unfortunately, some long-term sickness in some parts of our organization, the sales organization. We can, of course, hope that, that won't repeat next year, but that has actually had quite a significant impact on our business this year as well.

Kristian Tornøe Johansen ***Danske Bank Markets Equity Research - Senior Analyst***

Okay, so it sounds like we shouldn't expect sort of a full recovery in Q4, but it will be a gradual process from here? Is that correct?

Karina Deacon ***Nilfisk A/S - Executive VP & CFO***

Yes, I would not bank on any improvement in Q4. This is a longer-term thing that we need to work with.

Kristian Tornøe Johansen ***Danske Bank Markets Equity Research - Senior Analyst***

All right. Very clear. Then my second question is sort of more reflection on how the U.S. developed. Obviously, lower gross, lower gross margin than expected, but then you stressed this more tight cost control, and obviously you are keeping your margin guidance although pointing to the lower end. Just curious to what extent are you then holding back on investments given that you need to be more focused on cost control.

Hans Henrik Lund ***Nilfisk A/S - CEO***

Excellent question, Kristian. In reality, we're not. We're investing in all of the areas we've talked about, autonomous, digital services, new IT systems. We're not holding back on any of the strategic important initiatives and investment areas, not at all. But as you know, through the Accelerate+ program and other programs, we have identified overhead savings, and those are the ones we are cashing in. And then of course, normal tightness. Do we need to do this travel or travel? But rest assured that all of the things we need and we have communicated will invest in, we are investing in. I wouldn't see it, Kristian, as very special activities for Q3. It's just normal good business and ongoing activities that we would do every quarter to make sure we give improve it.

Karina Deacon ***Nilfisk A/S - Executive VP & CFO***

I think just aside from that, I can say, very much of it is driven from my office. So it's a normal CFO, and normal e-mails and stuff based of that something that doesn't stop the development of the business, but in your everyday you can learn that you can't sell as much as you could in quarters before.

Kristian Tornøe Johansen ***Danske Bank Markets Equity Research - Senior Analyst***

Okay. That's quite clear. Then my last question to you, Hans Henrik, so you're now interim head of Americas. I understand you were only spending 1 week in the U.S. before this announcement. So I mean, first, you need to spend more time in the U.S.? And secondly, how do you balance that job with all the other strategic initiatives you have going on elsewhere in the business?

Hans Henrik Lund ***Nilfisk A/S - CEO***

So again, an excellent question. I spent 2 weeks in the U.S. a month and I enjoy it, to be honest, Kristian, because it's good to get close to customers and the organization in Brooklyn Park. It's needed. So I truly enjoy it. Your underlying question is, of course, what am I missing at? And I think we need to talk about what has developed through the year because I was acting CMO earlier in the year, then we got Camilla and Andrew as CMO. Then I was acting EMEA head in Q3, then we got Steve Lindbo in from Stanley Black & Decker. So I feel more and more confident with the team because we've brought in so much talent that can execute. So now was the time for me to take the next one. So I don't see it as any drama or anything because we've built a strong team around us that can carry the rest of it.

Operator

(Operator Instructions) We'll now take our next question from Claus Almer from Nordea.

Claus Almer Nielsen ***Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT***

Yes, also a few questions for my side. A few question regarding the growth. Looking at the EMEA division, with this 8.2% organic growth in Q3, obviously pretty impressive. Could you put some more color to this strong performance other than just France and Germany doing well? And should we expect the same growth rates in Q4? That will be the first one.

Hans Henrik Lund ***Nilfisk A/S - CEO***

All right, Claus, good one. So if you talk about it, let's go country by country on those because I think that's the best way to get this done. Germany, I see stable development Q2, Q3, they keep going high, that's good. France, I almost pre-warned you it was a last quarter of Jean-Philippe. He definitely wanted to leave on a high so I don't think that's sustainable into Q4. If we go to Eastern Europe, Spain, Portugal where we have double-digit growth as well, I think that's quite -- that is very sustainable. So if I just take these countries and say we expect less in France in France, for sure in Q4, we might expect a little bit less in Germany, Eastern Europe sounds, pretty much the same. So that would give you a feel. Brexit-wise, I don't think that you will see any worse situation. So that's quite sustainable as well. And Nordic is quite stable. However, Claus, delivering 8.2 minus private label in Q4, don't believe that. That's not where it's going, absolutely not. Because this was exceptional. We were simply in a situation where all markets performing really well. Does that answer your question?

Claus Almer Nielsen ***Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT***

Okay, just to make sure -- sort of. Just France, since you're saying a decline, is that on the growth rate? Or is it absolute terms or just to...

Hans Henrik Lund ***Nilfisk A/S - CEO***

Thank you. Thank you for clarifying. No, no. All I'm saying is don't expect 13% growth in France in Q4, okay? We cannot maintain that high level.

Claus Almer Nielsen ***Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT***

Sure. Okay. Then going to the U.S. or Americas, I think you've been quoted saying some larger deals is expected or maybe already been signed in Q4. Is that enough to create growth for the full year or it's just growth for Q4?

Hans Henrik Lund ***Nilfisk A/S - CEO***

That's a good question. It's definitely growth for Q4, Claus. I can't tell you, on top of my head, whether it brings us and the positive for the whole year. I'm looking at Karina. We don't -- sorry, Claus, we will have to come back to you on that one. I don't really know.

Claus Almer Nielsen ***Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT***

Okay. Fair enough. And then a question regarding all of these changes on your heads around the globe. We've heard about some of these replacements, but what about the load at the heads, how many changes are you doing in that layer?

Hans Henrik Lund ***Nilfisk A/S - CEO***

So let's start in APAC because we have start a move to APAC as the first regional change. This year, he has changed the GM in Australia, in Singapore and in Japan and in India. So quite significant upgrade of where we were, and that's why I talked about it, Claus, as a significant changing year. Australia is our biggest market, as you know, so we changed there. Singapore, Indonesia is the third-biggest market, we changed there. So we've done a significant upgrade of what we had. Then if I move into EMEA, you know that Jean-Philippe was leading us up to 42 years. We're looking for a new one, so that's the level there. And when I look at the U.S. organization, we have really solid sales leaders and market leaders in place, so I don't expect to change anything there.

Claus Almer Nielsen ***Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT***

Okay. And then my final question that goes to these headwinds from raw materials and tariffs in Q4, it sounds like it was also coming as slightly sort of priced to you. So you're guiding the lower end of your EBITDA margin range. Is that at risk? Or how should we really think about the wording you're putting into Q4?

Karina Deacon ***Nilfisk A/S - Executive VP & CFO***

It's not a surprise since we came out with the guidance or the reiteration of the guidance. So I don't expect that it will have more impact than I already knew. It was simply a question of saving, so I knew that when we came out at the end of October.

Operator

(Operator Instructions) We will now take a follow-up question from Kristian Johansen from Danske Bank.

Kristian Tornøe Johansen ***Danske Bank Markets Equity Research - Senior Analyst***

Just a follow up. Obviously, we've been talking a lot about this private label sale and how it's been boosting and diluting the growth. Can you just elaborate a bit on what is your private label strategy going forward? Should we expect this now to stay at a low more insignificant level? Or do you have plans to try and boost it again?

Hans Henrik Lund ***Nilfisk A/S - CEO***

Thanks, Kristian. We believe that it will still be binding. We are pruning the efforts into private label which means we have too many customers in there. We want fewer. We've never wanted really to grow it. For me, it's more important that we improve the profitability of it. So you should see it as a segment where we will decline some more, and then hopefully get the profitability in the right direction. We discussed previously whether it's a sustainable part of our business. We believe it is. It will never be a major part of our business, but if it's a 5% or 6% part of our business, that gives us the right level.

Operator

We will now take a follow-up question from Claus Almer of Nordea.

Claus Almer Nielsen ***Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT***

Yes, also a question regarding 2019, and I know you haven't guided yet, but more to the answer about the high single digits headwind next year from tariffs. I think, Karina, you mentioned that will put more effort into further cost savings. I think in Q2, you mentioned these investments and digitalization, et cetera, et cetera, in the magnitude of was it EUR 20 million or so. Would you cut down on these investments? Or would cost savings come from all other areas? That will be the question.

Karina Deacon ***Nilfisk A/S - Executive VP & CFO***

Claus, what I was -- at least what I was trying to say was I hope what I said was that we have that in mind when we discuss price increases with our customers. So I didn't link that to cost savings. And obviously, we haven't, as you said, guided for '19, but it is our intention to keep investing in the right things to drive us forward. So no link from these tariffs, definitely no link to investments and no link to cost savings per se more than -- more the fact that we will sell our things. We will bear that in mind when we discuss the price increases with your customers.

Claus Almer Nielsen ***Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT***

Okay. That makes sense. And maybe just a follow-up on that one. Tariffs, I guess, is mainly coming out of China. What's your ability or possibilities to show from other regions?

Hans Henrik Lund ***Nilfisk A/S - CEO***

We are, to some degree, doing it already, Claus, because some of the products come out of Hungary that are going into U.S. I don't think that it makes sense to move more to Hungary and move it from there. The investment, we would have to do to do that, will be bigger than the benefit, so I think we are -- restructured the right way, even with the tariffs, and I don't think about moving wires and stuff at all.

Karina Deacon ***Nilfisk A/S - Executive VP & CFO***

But this also impacts the whole industry because we also saw that we had local U.S. suppliers supplying to U.S. and they took the advantage of increasing prices because demand became higher. So it's not just, okay, we stopped China. This impacts the whole thing.

Operator

(Operator Instructions) It appears there are no further questions at this time, so I'd like to hand the conference back over to the host for any additional or closing remarks.

Hans Henrik Lund ***Nilfisk A/S - CEO***

Thank you so much for joining us. Thank you for excellent questions, and I wish you a great day. Thank you from here.