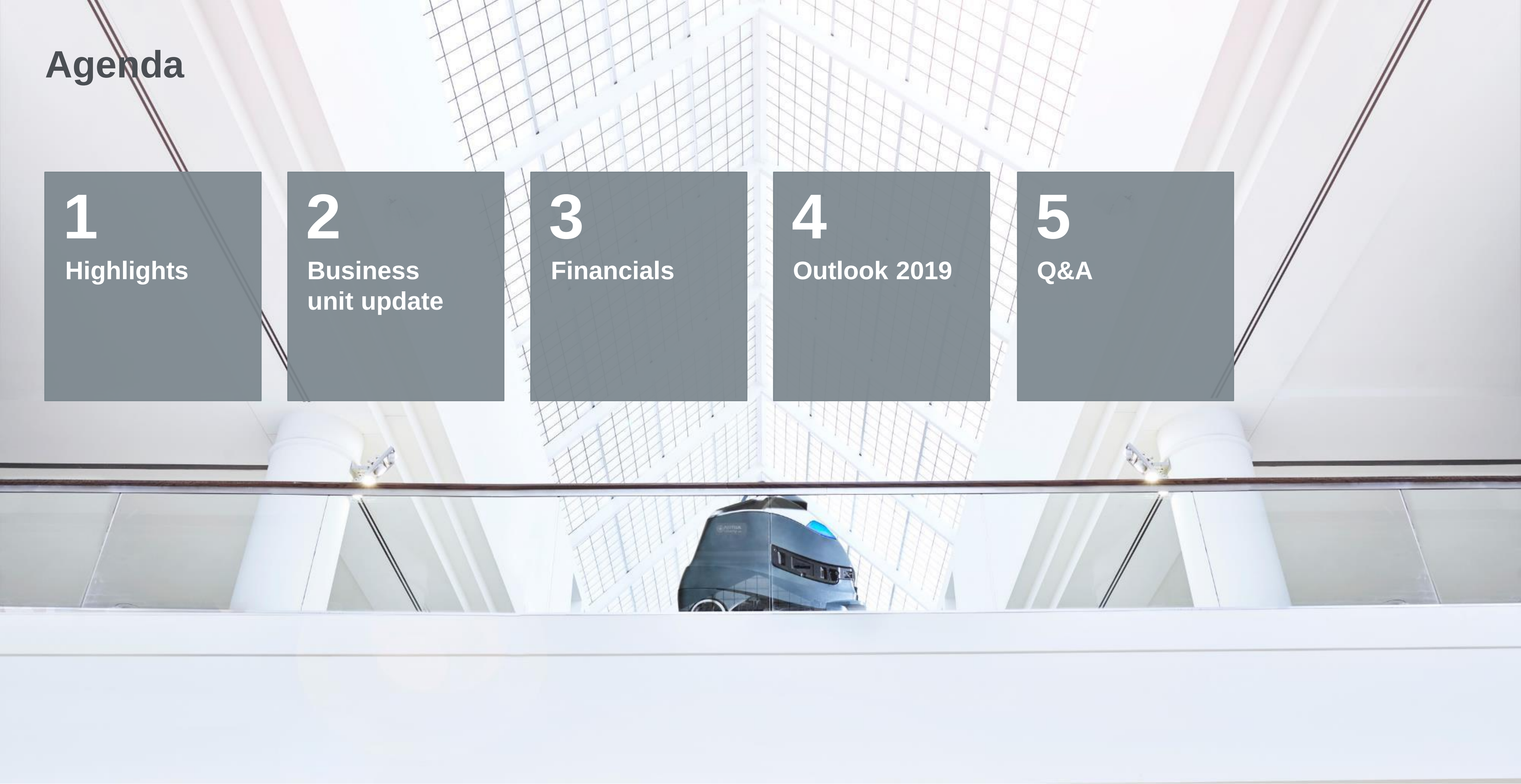
Nilfisk Q1 Interim Report 2019

Webcast presentation

Agenda



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Q1 2019: **Continued growth in the branded professional business**

Financial highlights

- In Q1 the branded professional business grew 2.8%
- EMEA continued the development trend from Q4 2018, posting organic growth of 3.6% driven by the major markets. Americas grew by 3.2% based on a solid performance in US Floorcare. APAC delivered disappointing growth of -2.9%
- The total business grew 1.0% following unexpectedly weak performance in Consumer with negative growth of 7.2%
- The gross margin was 43.1%, an increase of 0.7 percentage point compared to Q1 2018
- The operating performance was 10.6%*), an increase of 0.3 percentage point compared to Q1 2018

*) excluding special items and impact from IFRS 16

Q1 2019: **Good progress in the execution of Nilfisk Next throughout the quarter**

Update on strategic initiatives

- Completion of the strategic review of the consumer business
  - Based on shareholder value Nilfisk is deemed the best owner
  - Nilfisk will continue to develop the consumer business in the core EMEA markets but intends to exit the consumer activities in the Pacific region
- Replacement of the regional structure in Americas with a global structure is ensuring a stronger daily focus on the Floorcare business in the US
- A harmonized sales structure or ‘blueprint’ rolled out in Germany, UK and the Nordics marks a significant step towards creating a more globally-aligned company

Q1 2019: **Continuing the development of a broad autonomy portfolio**

Continuing the multi-partner strategy

- Nilfisk is continuing the strategy of working with different partners to ensure the long-term goal of a full portfolio of connected autonomous solutions
- Nilfisk began a partnership with Brain Corp, an AI company based in San Diego, US with a strong position within autonomous solutions tailored to the retail industry
- Going forward Nilfisk will:
  - Continue the collaboration with Carnegie Robotics and customers such as ISS, Compass Group, Bunzl, Atalian etc. on the development and scaling of Nilfisk Liberty SC50
  - License the BrainOS technology to further accelerate the development of a broad portfolio of industry-leading autonomous solutions

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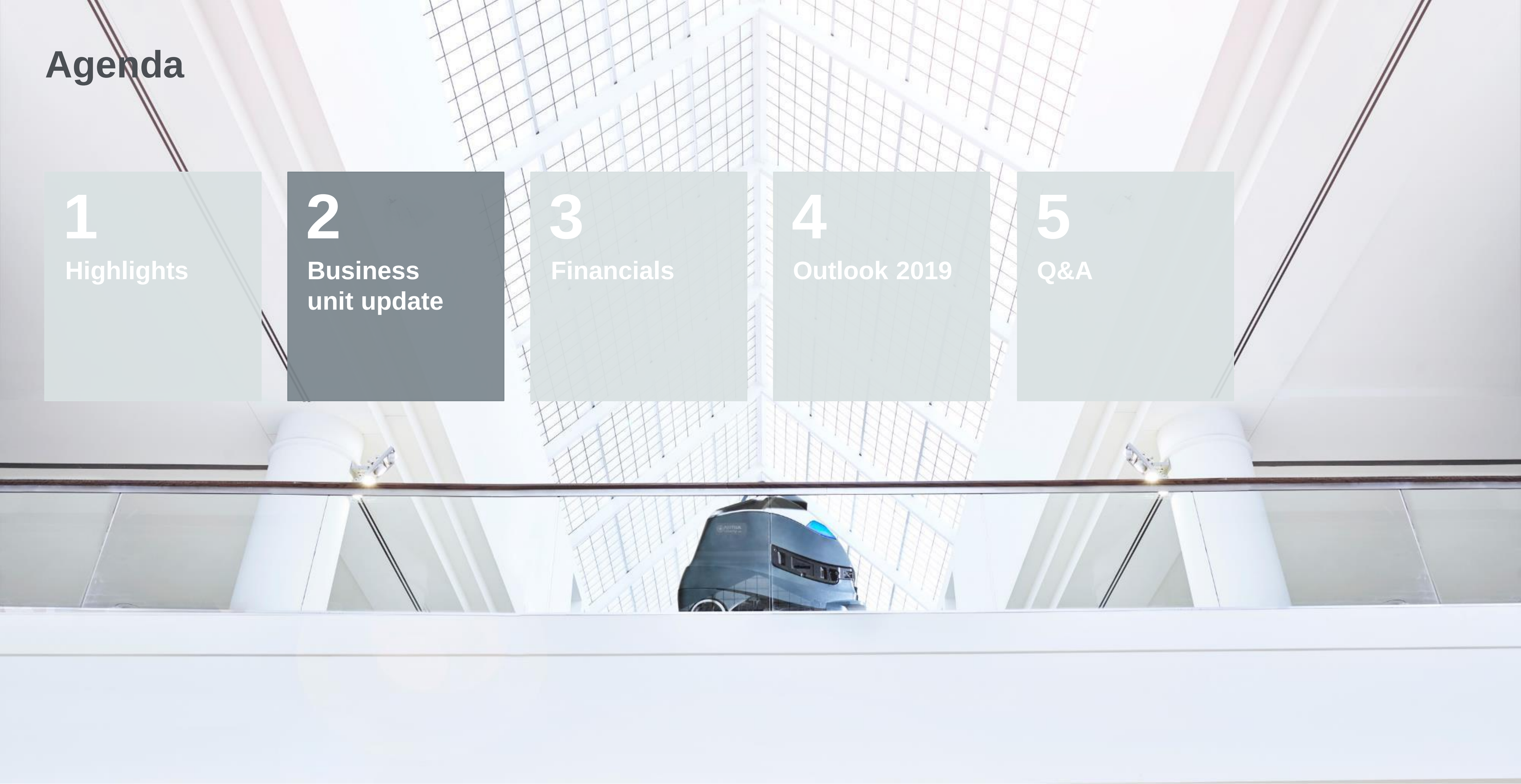

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Branded professional business:
EMEA improving earnings

EMEA

- Consistent solid results across the mature markets
- Improved earnings over the quarter driven by mix and overhead optimization following blueprint
- A harmonized sales structure implemented – a significant step towards a globally aligned company

EMEA	Q1 2019
Revenue	**116.2 mEUR**
Share of revenue	**47.1%**
Organic growth	**3.6%**
Gross margin	**48.2%**

Americas

- Solid growth in US Floorcare and double-digit growth in Canada
- New global structure implemented in Americas ensuring a stronger daily focus on the US Floorcare business
- One-off costs impacting gross margin but compensated for by overhead savings

Americas	Q1 2019
Revenue	**69.8 mEUR**
Share of revenue	**28.3%**
Organic growth	**3.2%**
Gross margin	**43.2%**

APAC

- Disappointing negative organic growth
- Continued growth in China offset by low performance in Australia and Singapore
- Earnings impacted by lower gross margin and low volume

APAC	Q1 2019
Revenue	**20.2 mEUR**
Share of revenue	**8.2%**
Organic growth	**-2.9%**
Gross margin	**41.6%**

Other business units:
Challenging quarter in Consumer, and Private label in line with expectations

Consumer

- The strategic review completed with the conclusion that Nilfisk is the best owner of this business
- Disappointing growth in Europe
- Earnings impacted by lower gross margin and low volume

Consumer	Q1 2019
Revenue	24.8 mEUR
Share of revenue	10.1%
Organic growth	-7.2%
Gross margin	34.9%

Private label

- Private label performed according to expectations

Private label	Q1 2019
Revenue	15.6 mEUR
Share of revenue	6.3%
Organic growth	-6.7%
Gross margin	19.3%

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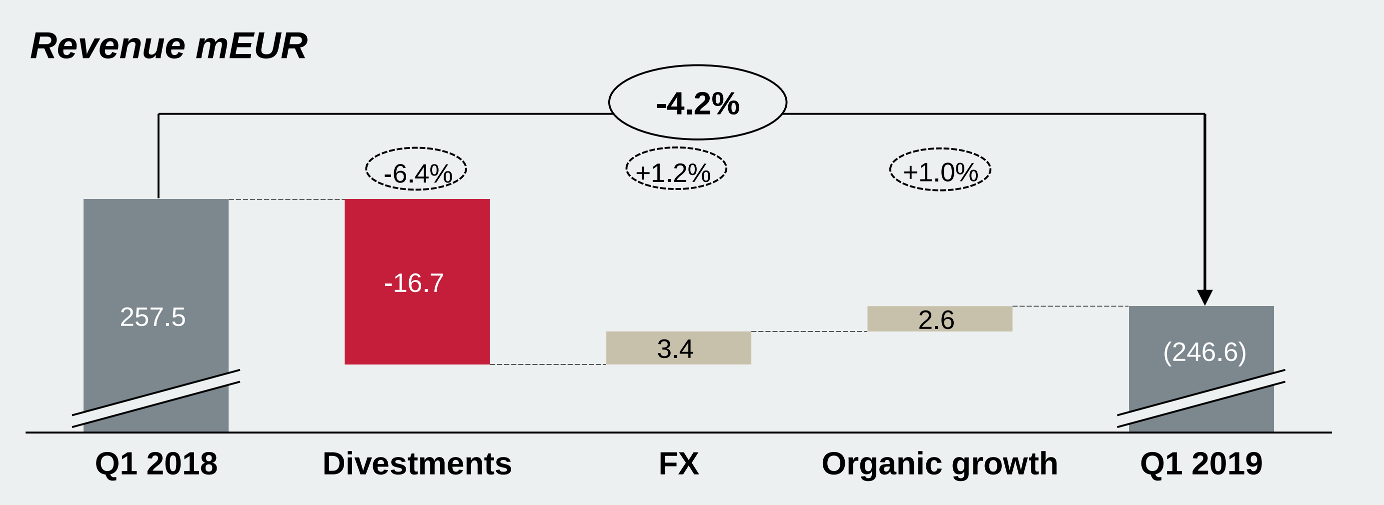
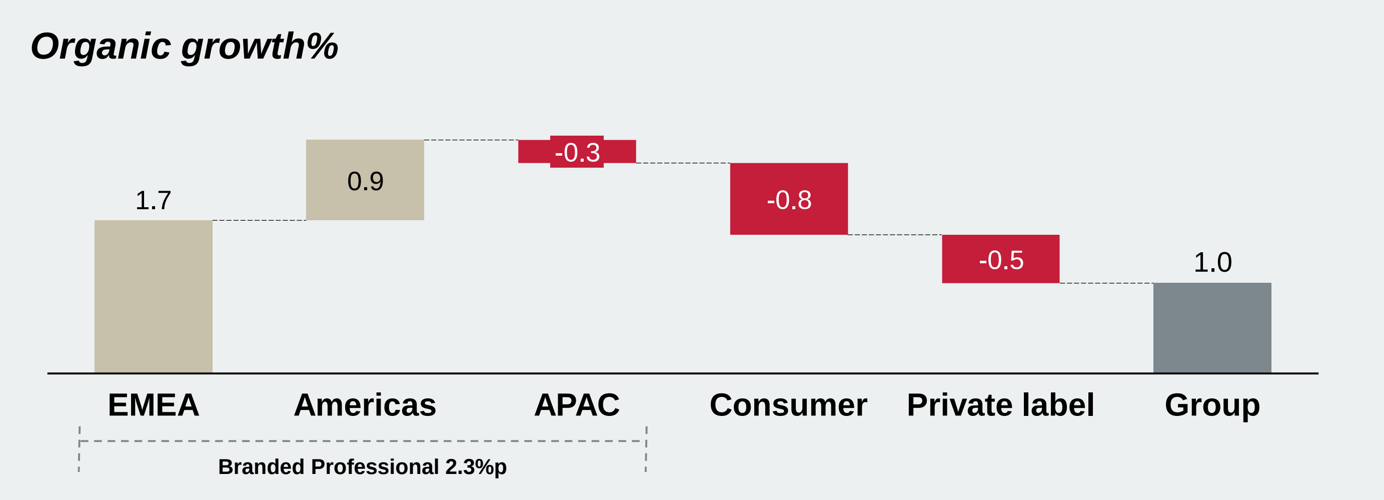
Revenue and organic growth development





Comments

- Revenue is down -4.2% vs. Q1 2018
  - Divestments impact -6.4%
  - Positive impact from FX of 1.2% due to USD
- Branded professional business contributes with 2.3% to total organic growth
  - EMEA and Americas account for growth of 2.6% which is partially offset by APAC
  - Consumer and Private label are contracting vs. Q1 2018

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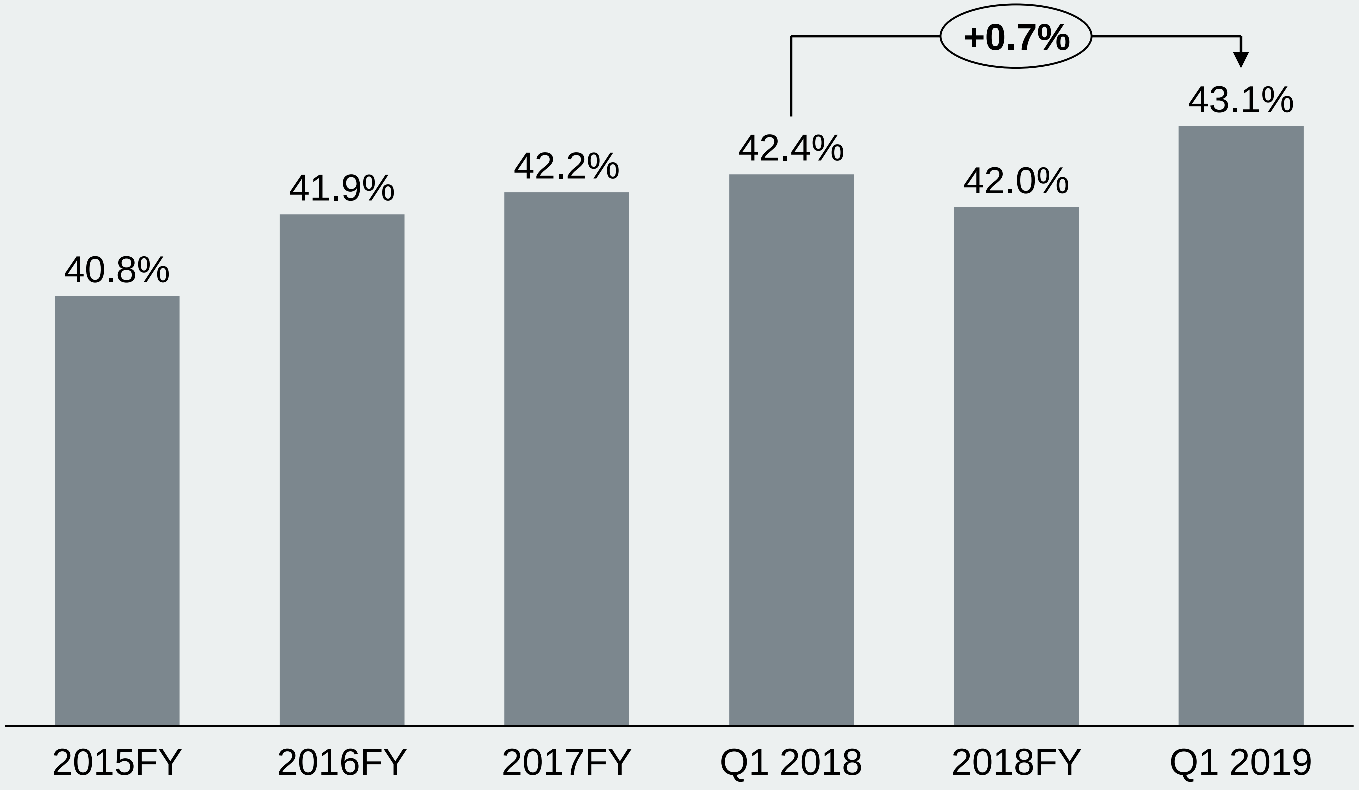
Gross margin step-up

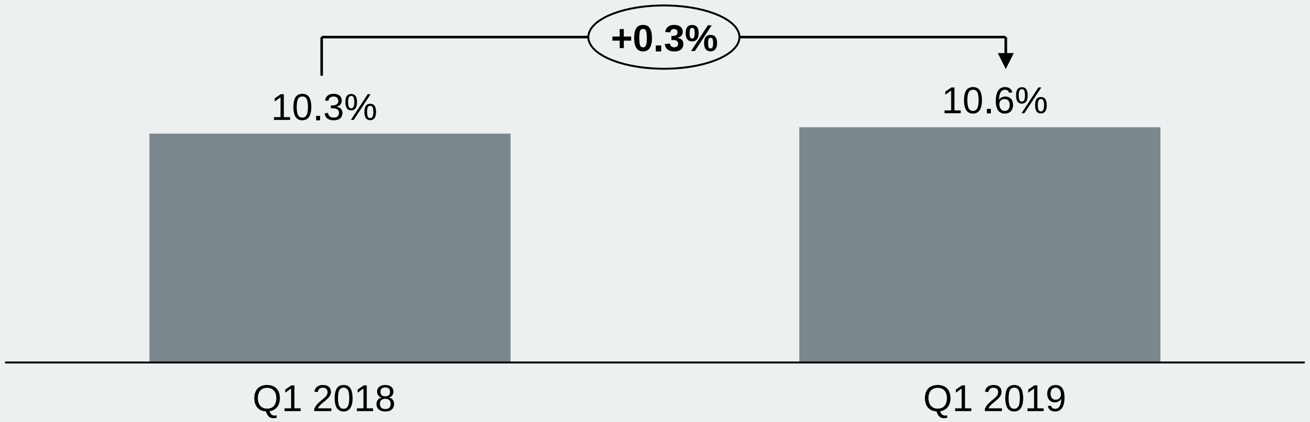


Comments

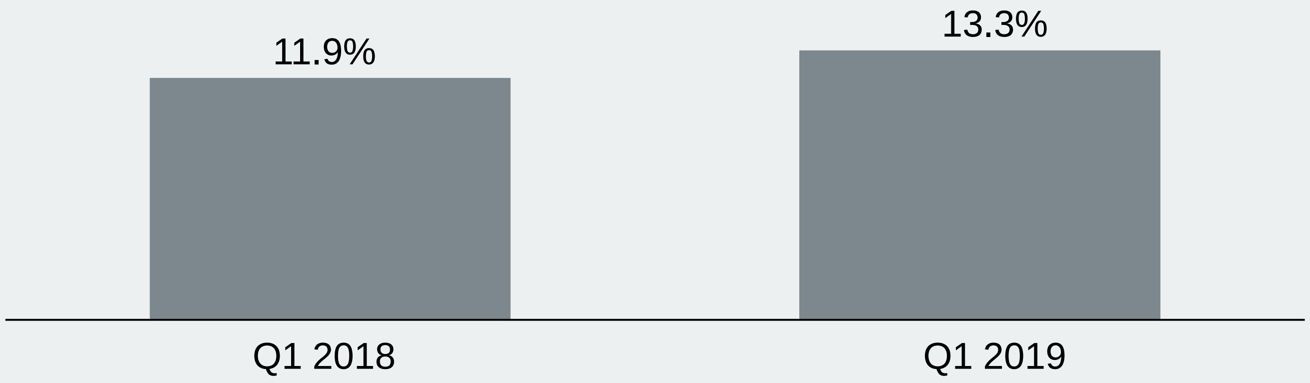
- Continued strengthening of gross margin in Q1 2019 compared to Q1 2018 and prior years
- Positive impact from:
  - Divestments
  - Higher utilization in production
  - Pricing
- Partly off-set by:
  - Higher raw material prices and tariffs
  - One off costs (Americas, APAC and Consumer)

EBITDA margin

Operating performance *(excl. special items, IFRS16 and phantom shares)*



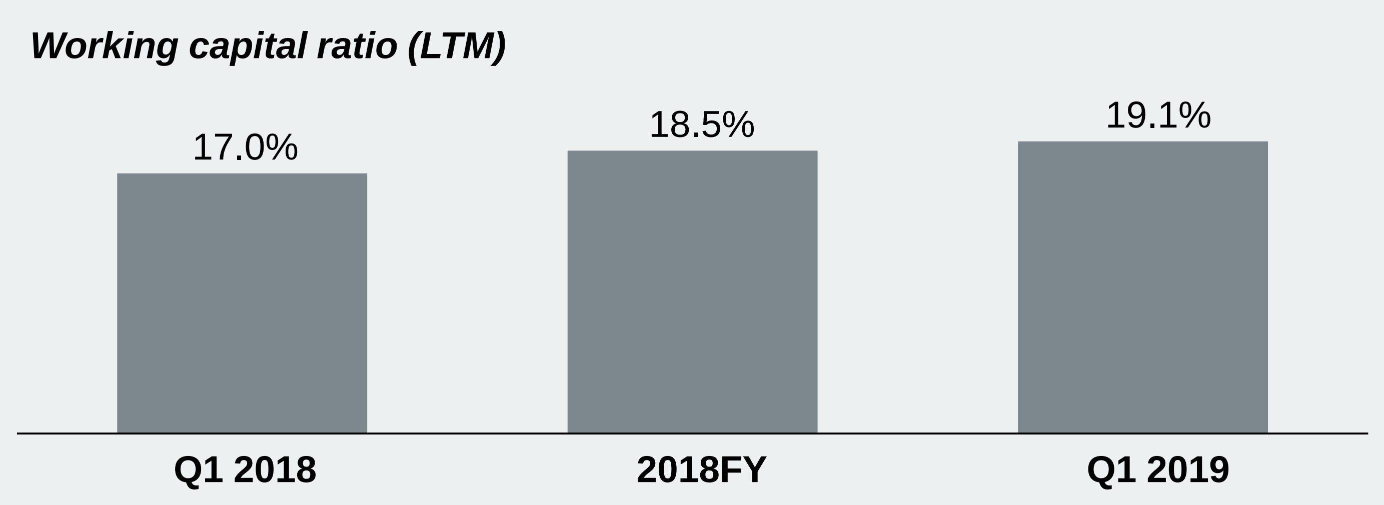
EBITDA margin before special items

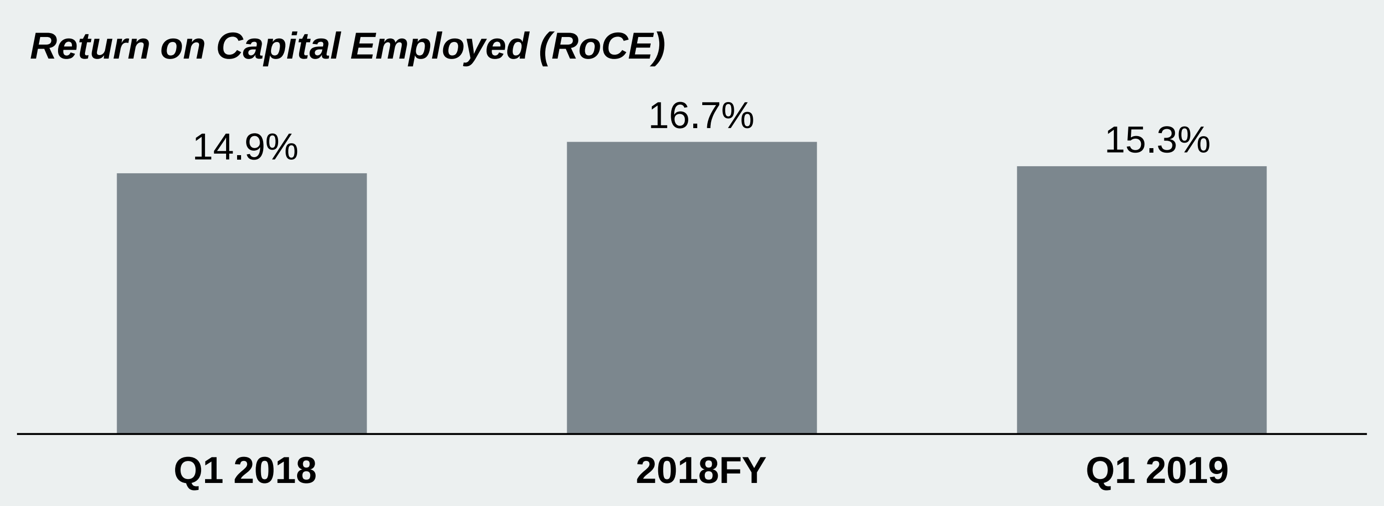


Comments

- Operating performance of 10.6%, up 0.3% percentage point vs. Q1 2018
  - Increase of EBITDA margin driven by gross margin
  - Overhead cost ratio increases from 35.3% (adjusted for phantom shares impact) to 35.7% due to lower revenue
- Overhead costs are in absolute terms excluding phantom shares and free of FX impact down 4% in Q1 2019 vs. Q1 2018
  - The decrease resulted from the impact of divestments, the cost saving program and the blueprint, but offset by investments in building the future
- Favorable impact from IFRS16 of 2.7 percentage points in the quarter

Working capital and RoCE





Comments

- Working capital ratio of 19.1%
  - Normalization of inventory level
  - Decrease in payables compared to Q1 2018 (LTI provisions and the impact from lower production in China)
  - Negatively impacted by divestments
- RoCE is increasing 0.4 percentage point compared to Q1 2018 driven by a relative higher EBIT
- Decline from 2018 YE due to increased working capital
- IFRS16 impact in Q1 2019 of 0.3 percentage point

Cost saving program developing according to plan

EUR million	2017 Accumulated	2018	2019 Q1	2019 Expected	2020 Expected	Full potential end 2020
Annual accumulated impact on EBITDA before special items related to levers executed prior to the end of each period	21	33	36	39-43	50	50
Accumulated impact on reported EBITDA before special items in the income statement for the period	17	29	8	34-36	45-50	50
Restructuring costs for the period (reported under Special items)	20	18	5	13-15	5-7	60
Capex investments for the period	4	4	0	1-2	1-2	10

Comments

- Satisfactory progress in the activities and execution of further 3 mEUR in Q1 2019
- The initiatives have positively impacted cost with savings of 2 mEUR in Q1 2019 vs Q1 2018
- 2019 full-year impact of the cost saving program is expected in the range of 5-7 mEUR compared to FY 2018
- Levers totalling 36 mEUR have now been executed
  - ~22 mEUR related to overhead reductions
  - ~10 mEUR related to Global Operations initiatives (production footprint, sourcing initiatives and process optimizations)
  - ~4 mEUR related to other initiatives such as complexity reductions and price management
- Business restructuring costs incurred in Q1 amount to app. 3 mEUR and primarily relates to severance pay. Expected costs for 2019 are 9-12 mEUR

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Outlook 2019 maintained but composition changed

Organic growth

Above **3.0%**
Organic growth in the Nilfisk branded professional business

Approximately **0%**
Organic growth in private label

Approximately **-10.0 %**
Organic growth in the consumer business

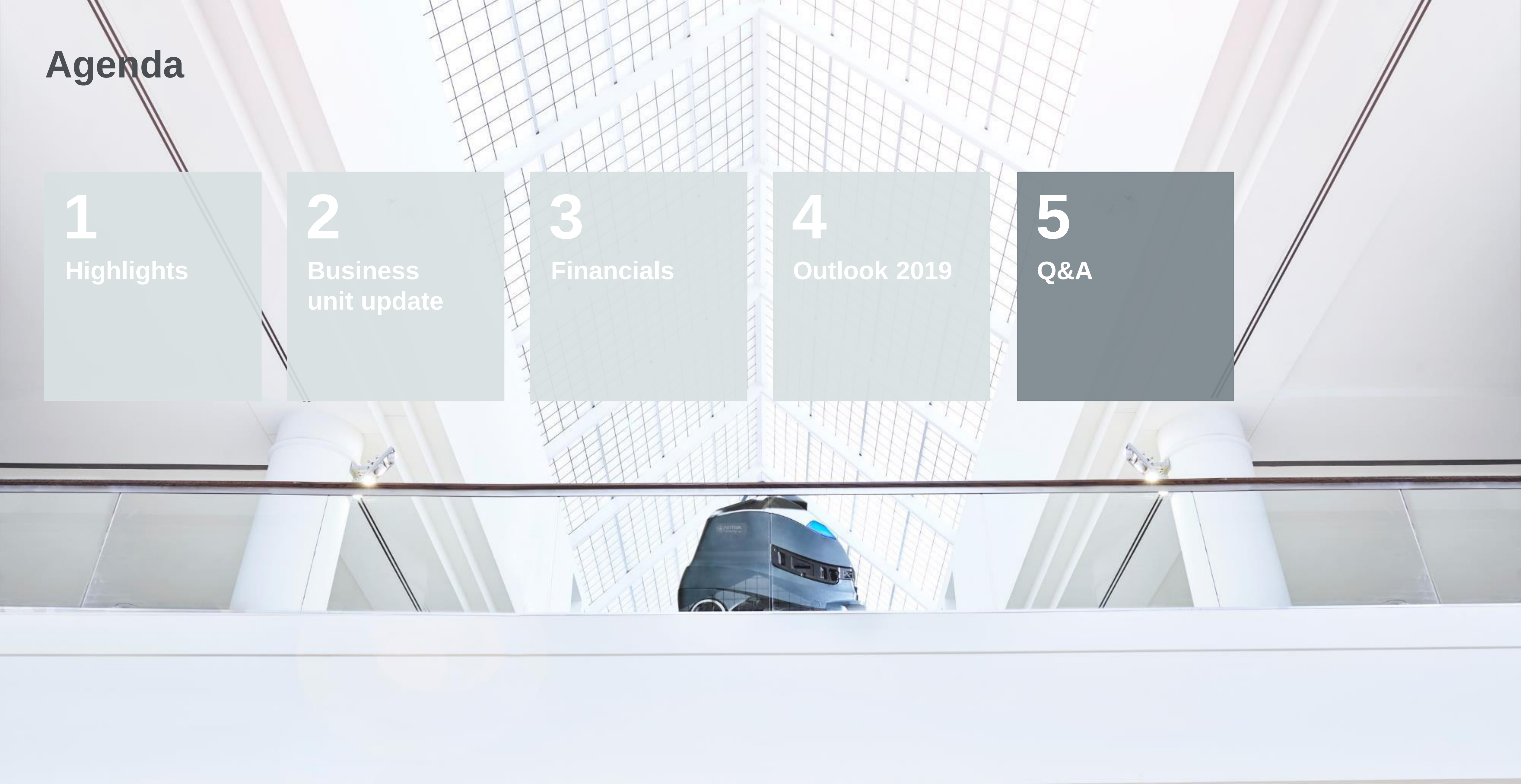
Approximately **2.0%**
Organic growth in the total business

EBITDA margin

Above **14.4%**
EBITDA margin before special items
IFRS 16 impact of 2.4 percentage points expected

Main assumptions

- World economic outlook with continuous growth however increased uncertainty
- No major negative impact from transformation initiatives



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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.