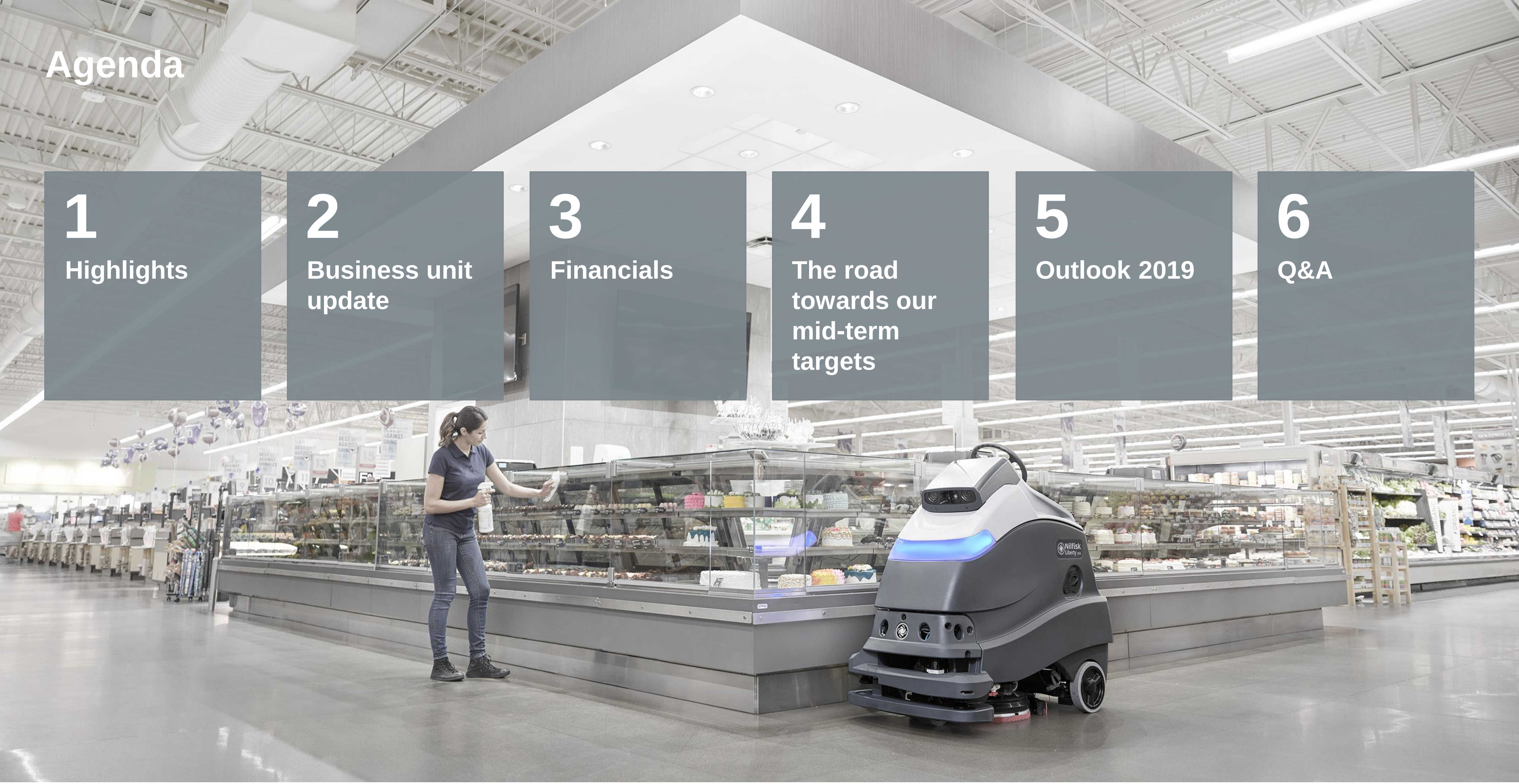
Nilfisk Financial Results 2018

Webcast presentation March 1, 2019



Agenda

1
Highlights

2
Business unit update

3
Financials

4
The road towards our mid-term targets

5
Outlook 2019

6
Q&A

Financial highlights Solid Q4 2018

- Financial guidance updated in October 2018 achieved
- 3.6% organic growth in branded professional business driven by EMEA (3.4% excluding private label) and Americas (5.0%)
- Planned negative growth of -51.5% in private label sales following a last time buy after the discontinuation of a large customer initiated after Q4 2017
- Total organic growth in Q4 of -1.9%
- Gross margin of 41.6%, significantly up from 40.4% in Q4 2017 and 40.9% in Q3 2018 due to improvements in service, product mix and divestments
- Operating performance* of 12.5%, significantly up from 10.6% in Q4 2017 and 10.5% in Q3 2018

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

Financial highlights 2018 below expectations

- Total organic growth of 2.0%, driven by solid performance in EMEA and strong growth in Specialty Professional leading to organic growth of 2.8% in the branded professional business

- Overall growth was below initial expectations due to:
  - Negative growth in Americas
  - Simplification initiatives with an earlier than expected closure of a production site in China leading to shortage of products
  - Divestment of businesses with growth above average

- Gross margin at 42.0% below expectations due to product mix, increased raw material prices and tariffs, and capacity utilization

- Focus on investments in building the future and control of overhead spend

- Operating performance* 11.5% in the lower end of expectations

- Working capital of 18.5% impacted by higher inventories and changes in payables.

- Increase in RoCE from 16.0% to 16.7%

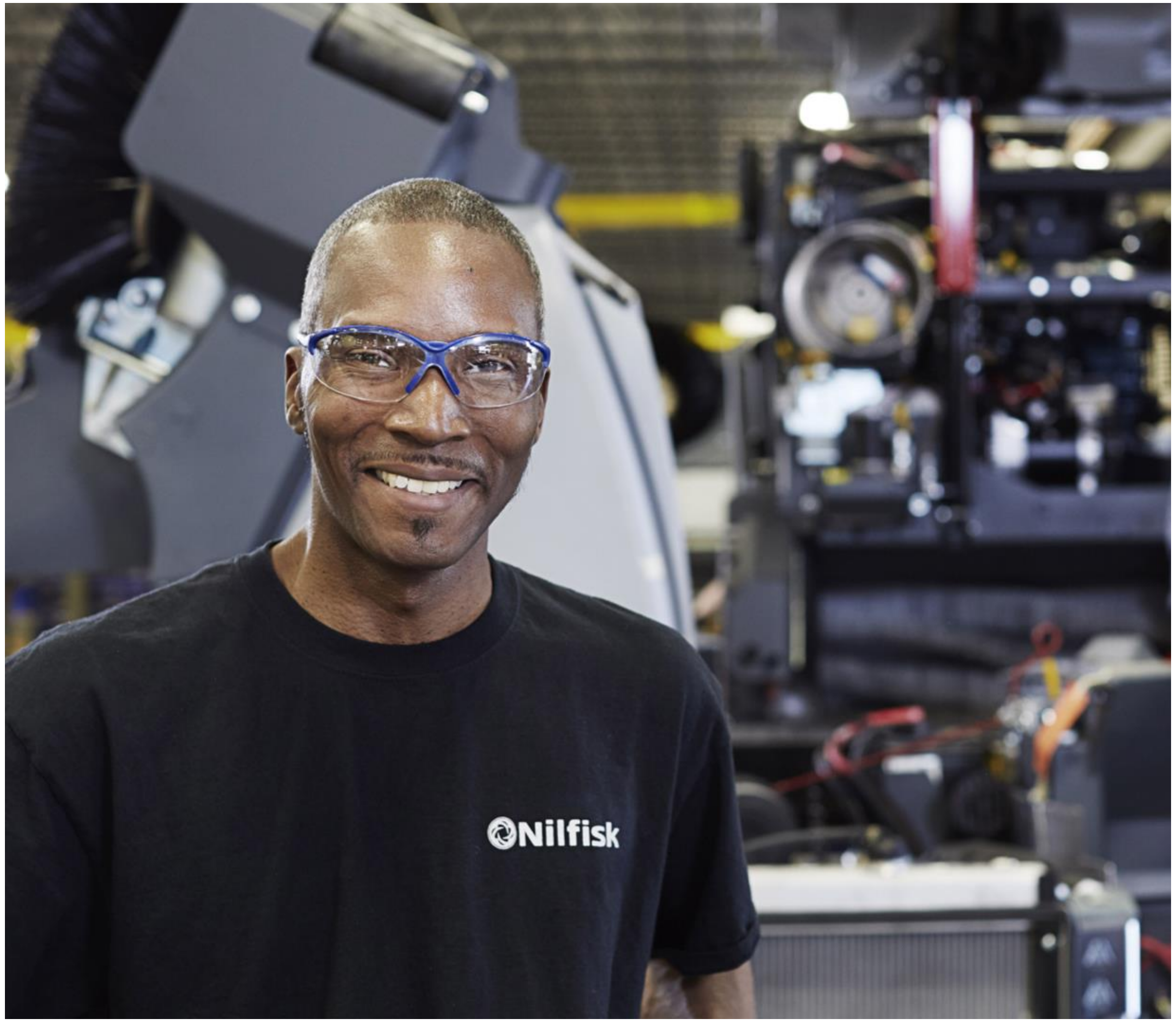
- EBIT of 18.9 mEUR – impact from special items of 68.5 mEUR

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

2018 – ongoing transformation

- Significant milestones achieved in simplifying our business
  - Divestment of five non-core businesses with annual revenue of approximately 75 mEUR
  - Ongoing strategic review of the Consumer business
  - Consolidated production footprint globally with exit from 7 of 18 production sites
  - Closed 109 product platforms – approximately 40%
  - Outsourcing of transactional customer care and finance activities

- Building the future
  - Liberty SC50 launched
  - Roll-out of IT systems (Salesforce, ServiceMax, Workday, web)
  - Developed a blueprint in order to harmonize and standardize our set up and transform to a global company
  - The organization strengthened with commercial and digital competences



Agenda

1
Highlights

2
Business unit update

3
Financials

4
The road towards our mid-term targets

5
Outlook 2019

6
Q&A

EMEA: Solid and stable growth

	FY 2018
Revenue	**487 mEUR**
Share of revenue	**46%**
Organic growth in branded professional business	**3.6%**
Organic growth incl. private label	**1.2%**

Comments

- Q4 organic growth of 3.4% in branded professional business after continued strong growth in Germany (-7.4% incl. private label)
- FY organic growth in branded professional business of 3.6% excl. private label
- Total organic growth of 1.2% impacted by a decline in private label of 12.9% due to the planned discontinuation of a large customer initiated in Q4 2017
- Strong performance in mature markets like Germany, France, and Iberia, while the UK suffered from market uncertainty related to Brexit
- Gross margin of 41.8%, below LY (42.2%) due to higher raw material prices, unfavorable product mix, and slightly lower service efficiency
- New leadership for EMEA sales in Q3

AMERICAS: Disappointing year

	FY 2018
Revenue	**270 mEUR**
Share of revenue	**26%**
Organic growth	**-0.3%**

Comments

- Q4 organic growth in Americas of 5.0% after positive growth in US and strong growth in Canada and LATAM
- US production output at all time high and order backlog going down
- FY organic growth of -0.3% below expectations due to performance in US impacted by
  - strategy change from a large dealer
  - delivery challenges in H1
- Strong market performance in Brazil, Argentina and Canada
- Gross margin of 41.9%, up 1.1 percentage points over 2017 due to continued price management and product mix, but partly offset by increased raw materials, tariffs and lower service margins
- A tiered dealer structure implemented. Integration of the IVS business created a strong industrial focus
- Leadership change

AMERICAS: US actions initiated

Comments

- Execution of a revised go-to-market strategy
  - A stronger segment focus (Industry & CCI) and focus on optimal indirect coverage in high potential states
  - Improved end-user focus (pull)
  - Strategic account execution in collaboration with indirect channel

- Invest in sales competency
  - Segment and end user approach
  - Sell full product portfolio
  - Investing in additional sales people

- Jamie O'Neill appointed sales leader:
  - Jamie O'Neill reporting to Steen Lindbo, Head of EMEA & Americas Sales
  - Eliminated position as President of Nilfisk Americas including a number of other leadership positions

APAC: A year of building for the future

	FY 2018
Revenue	**79 mEUR**
Share of revenue	**7%**
Organic growth	**1.7%**

Comments

- Organic growth of -0.1% in Q4. Continued strong performance in China offset by poor performance in the Pacific
- FY organic growth 1.7%
- Strong market performance in China, posting double-digit growth in all four quarters of 2018, but overall growth off-set by disappointing performance in the Pacific
- Significant management changes with new General Managers in Australia, Singapore, India, Japan and Korea to execute on our strategy and drive growth
- Gross margin of 42.0%, up 1.5 percentage points over 2017 following focus on inventory management and optimization of mix

Nilfisk

Specialty Professional: Divestments and a strong year

	FY 2018
Revenue	**124 mEUR**
Share of revenue	**12%**
Organic growth	**11.4%**

Comments

- Organic growth of 5.4% in Q4 lower than previous quarters due to IVS impacted by lower activity in the European manufacturing sector
- FY organic growth of 11.4%, with 10.0% growth in the continuing businesses; IVS and FOOD
- Outdoor and the restoration business (HydraMaster) both exited during the year
- Gross margin of 48.8%, down 0.9 percentage point over 2017, mainly driven by a change in product mix with higher growth in lower margin businesses (Outdoor and HydraMaster) as well as a shift of products within the IVS range
- The IVS business integrated in the professional Nilfisk sales organization from January 1, 2019 and the segment “Specialty Professional” will cease to exist

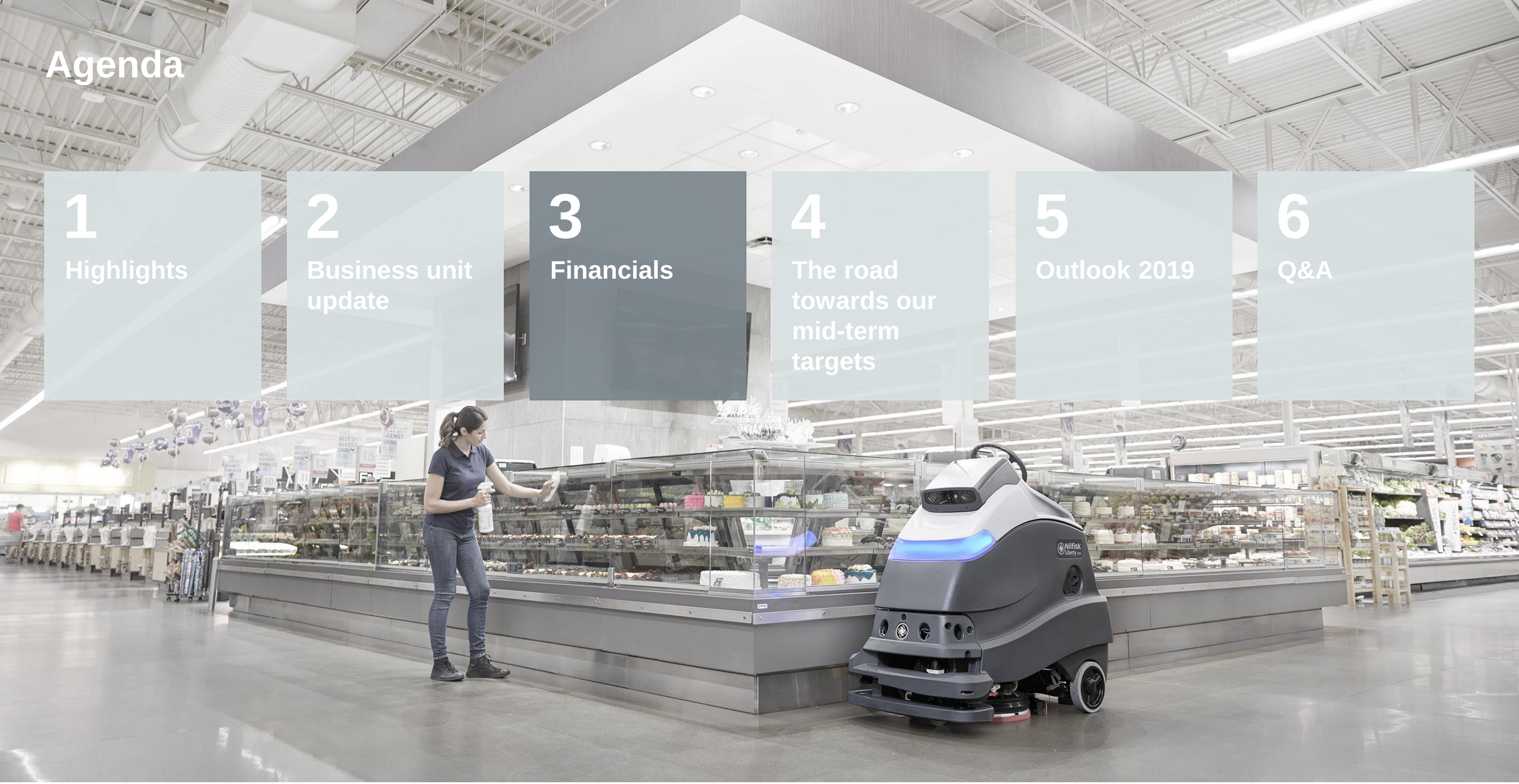
Specialty Consumer: Stabilizing topline with improved profitability

	FY 2018
Revenue	**95 mEUR**
Share of revenue	**9%**
Organic growth	**1.4%**

Comments

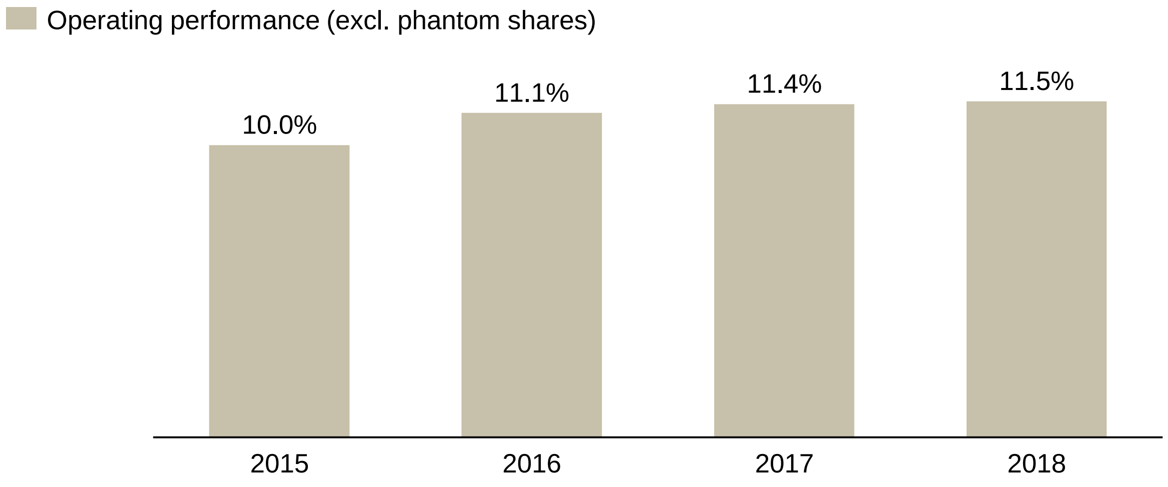
- Organic growth of 3.5% in Q4, driven by a strong performance in Southern Europe and China
- FY organic growth of 1.4%, mainly due to the DIY segment in Europe
- Overall growth impacted by the earlier than expected closure of production in Suzhou, China
- Gross margin of 34.1%, down 3.1 percentage points over 2017, mainly due to a negative impact from raw materials and product mix
- Continuous focus on optimization of the cost structure paid off, providing an EBITDA improvement of 1.0 percentage point over 2017 to 1.6%
- Strategic review expected to be completed during H1 2019 as planned

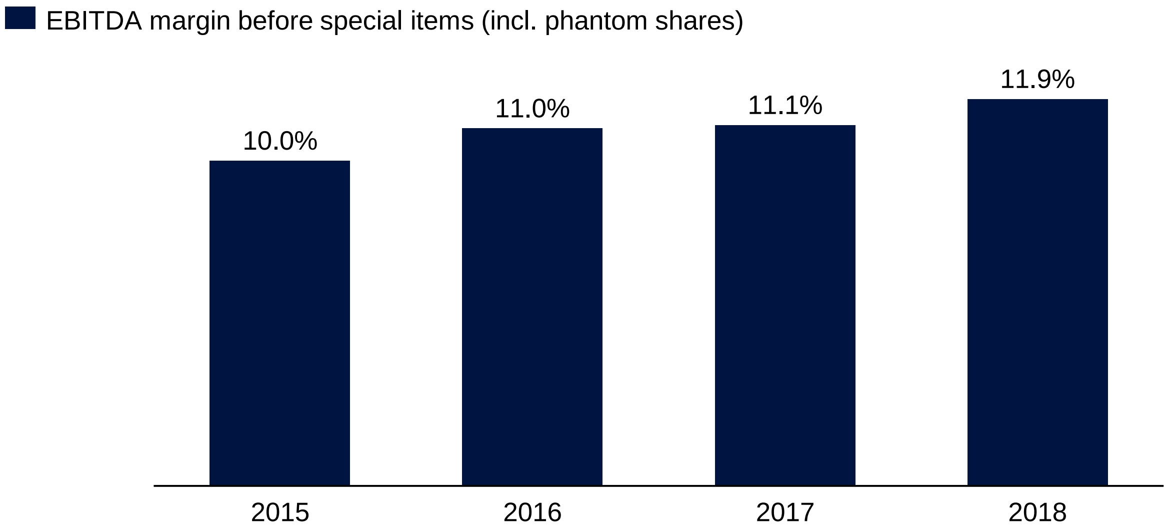
Agenda



1. **Highlights**
2. **Business unit update**
3. **Financials**
4. **The road towards our mid-term targets**
5. **Outlook 2019**
6. **Q&A**

EBITDA margin improved

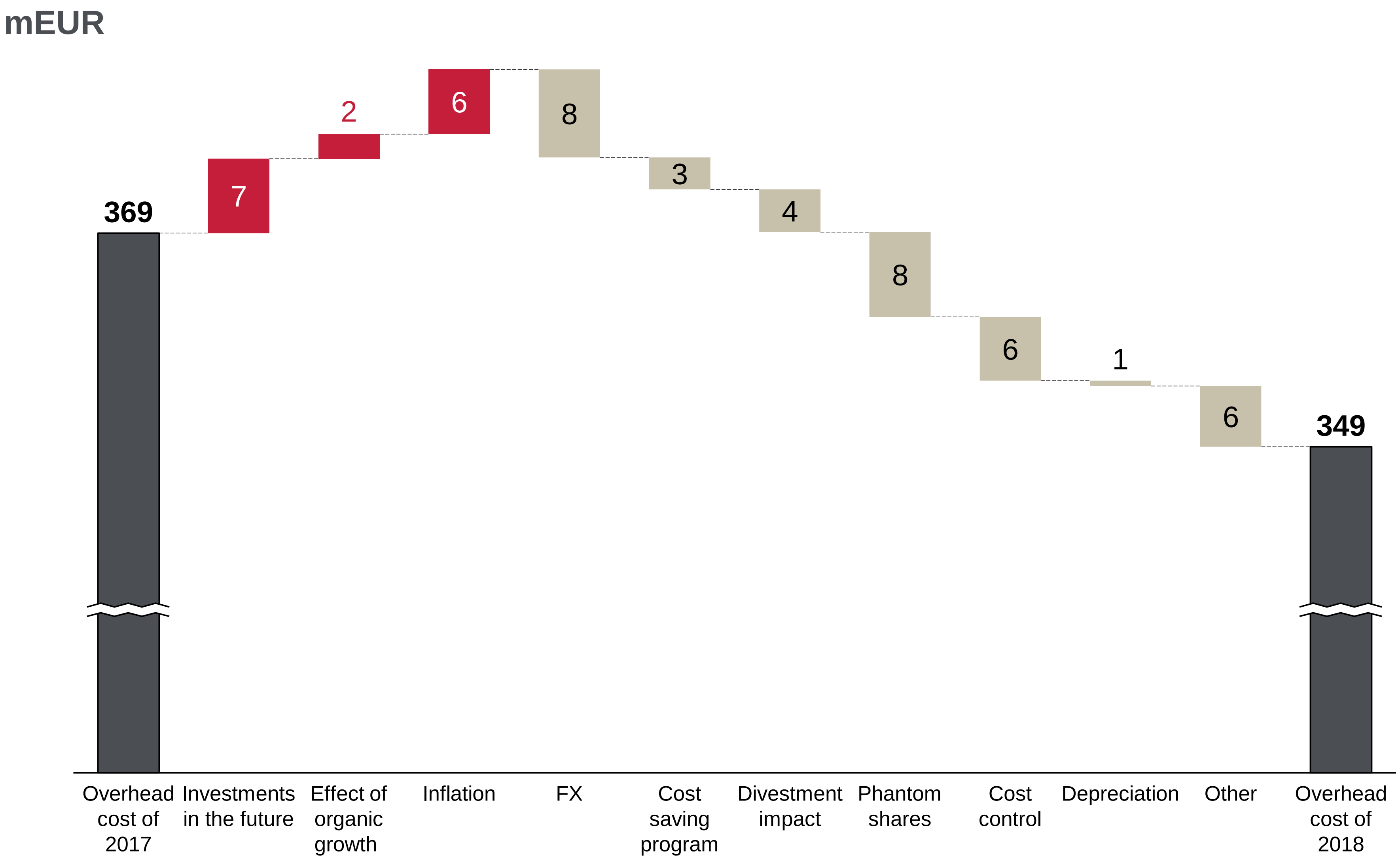




Comments

- Operating performance improved by 0.1 percentage point, ending at 11.5%
- EBITDA improvement resulting from lower overhead cost ratio of 33.5% (excluding phantom shares), down 0.3 percentage point over 2017 due to:
  - Strong control of running cost
  - Positive impact from the cost saving program
- Positive EBITDA impact from phantom shares of 4.3 mEUR corresponding to 0.4 percentage point. Following hedging, no phantoms share impact on EBITDA going forward

Investments and cost drivers, 2017 to 2018



Comments

- Lower overhead cost in 2018 than 2017
- Investments in building the future of 18 mEUR, above the planned 16 mEUR
- 7 mEUR expensed funded by cost saving program and cost control

The upgraded cost saving program on track

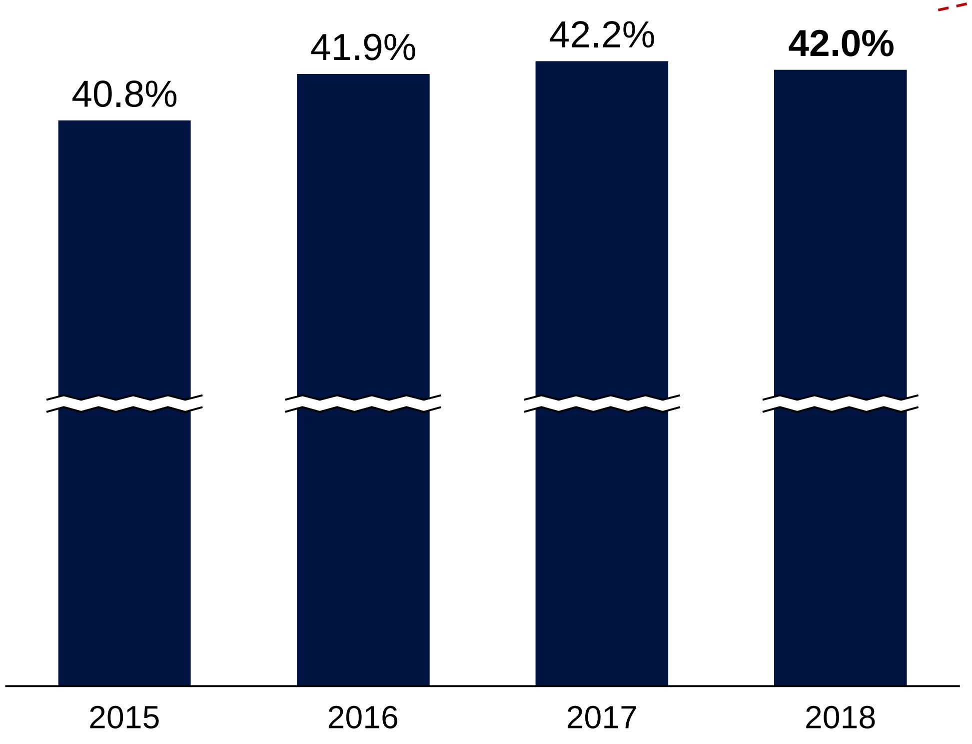
EUR million	2017 Accumulated	2018	2019 Expected	2020 Expected	Full potential end 2020
Annualized accumulated impact on EBITDA before special items	21	33	39-43	50	50
Accumulated impact on reported EBITDA before special items	17	29	34-36	45-50	50
Restructuring cost	20	18	13-15	5-7	60*
Capex investments for the period	4	4	1-2	1-2	10

* Restructuring cost increased to 60 mEUR from 50 mEUR due to early closure of production in Suzhou

Comments

- During 2018 the full potential from the cost saving program upgraded from 35 mEUR to 50 mEUR
- Execution of cost saving program continues to progress in line with expectations
- 2018 P/L impact of 12 mEUR. Implemented and launched initiatives of 33 mEUR of the full potential of 50 mEUR:
  - Overhead reductions 21 mEUR (25 mEUR)
  - Global operations initiatives of 9 mEUR (20 mEUR)
  - Other initiatives of 3 mEUR (5 mEUR)
- Main activities in 2018:
  - US pricing
  - Procurement optimization
  - Production footprint

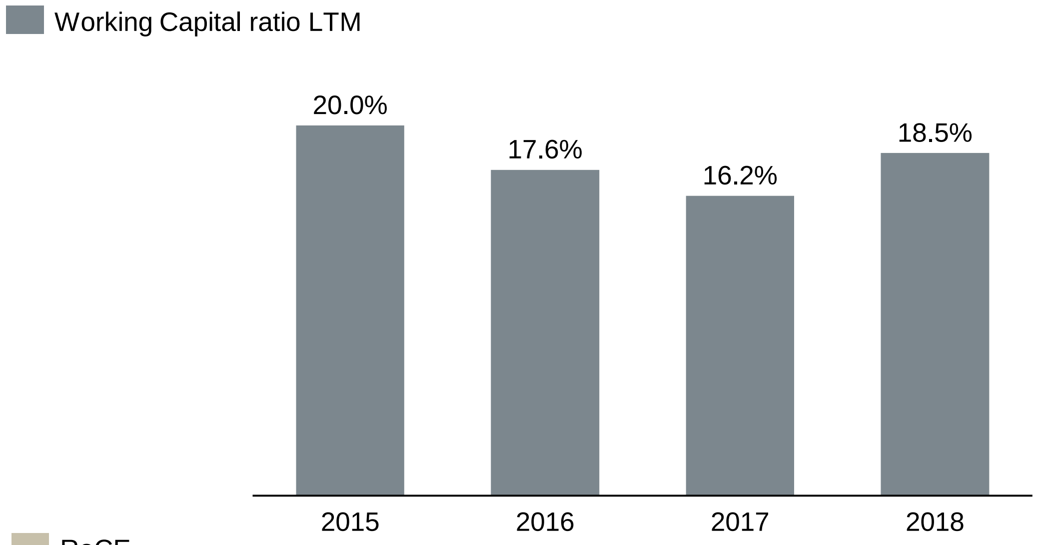
Gross margin slightly disappointing

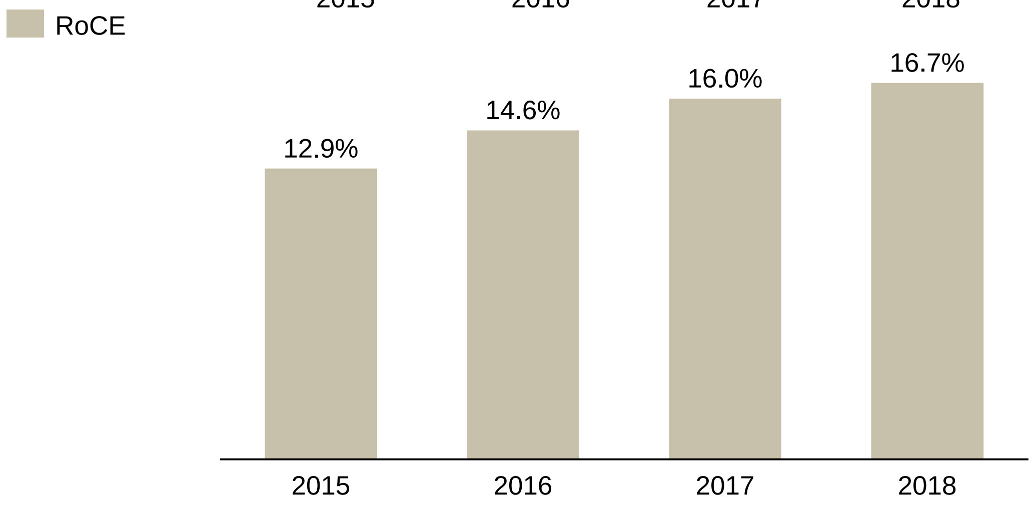


Comments

- Gross margin of 42.0%, below our expectations
- Negatively impacted by:
  - Changes in product mix (-0.6 pp)
  - Increased raw material prices & tariffs impact (-0.5 pp)
  - Lower capacity utilization in production (-0.4 pp)
  - Cost inflation (-0.3 pp)
  - Other (-0.7 pp)
- Positively impacted by:
  - Price increases (+1.4 pp)
  - Cost saving program (+0.7 pp)
  - Lower private label sales (+0.2 pp)

Working capital and RoCE





Comments

- Working capital ratio 18.5%, above expected normalized level due to:
  - Inventory build-up following production footprint moves
  - Higher accounts receivables during the year
  - Decrease in payables (phantoms share effect and change in VAT payment terms) as well as an exceptional low level in 2017
- RoCE of 16.7% up 0.7 percentage point from 2017, due to improved EBIT before special items

P/L summary

EUR million	2018	2017
Operating result before amortization/impairment of acquisition-related intangibles and special items	93.6	87.7
Amortization/Impairment	-6.2	-6.2
Special items	-68.5	-20.6
Profit before financial items and income tax (EBIT)	**18.9**	**60.9**
Financials	-11.3	-8.9
Tax	2.4	-11.7
Profit for the year	**10.0**	**40.3**

Comments

- Revenue declined by 2.5% after divestment impact of -1.9%. Revenue in continuing business of 1,001 mEUR with negative divestment impact of 6% in 2019
- Negative revenue impact from FX of 2.6%
- Special items impacted by divestments during the year, restructuring cost related to the cost saving program and business transformation initiatives
- Financials impacted by full year effect from the 117 mEUR debt related to the split from NKT A/S
- Financial gearing of 2.9x
- Effective tax rate impacted by one-off items. Normalized effective tax rate expected in the level of 25-27%
- Profit for the year down due to special items

Agenda

1 Highlights

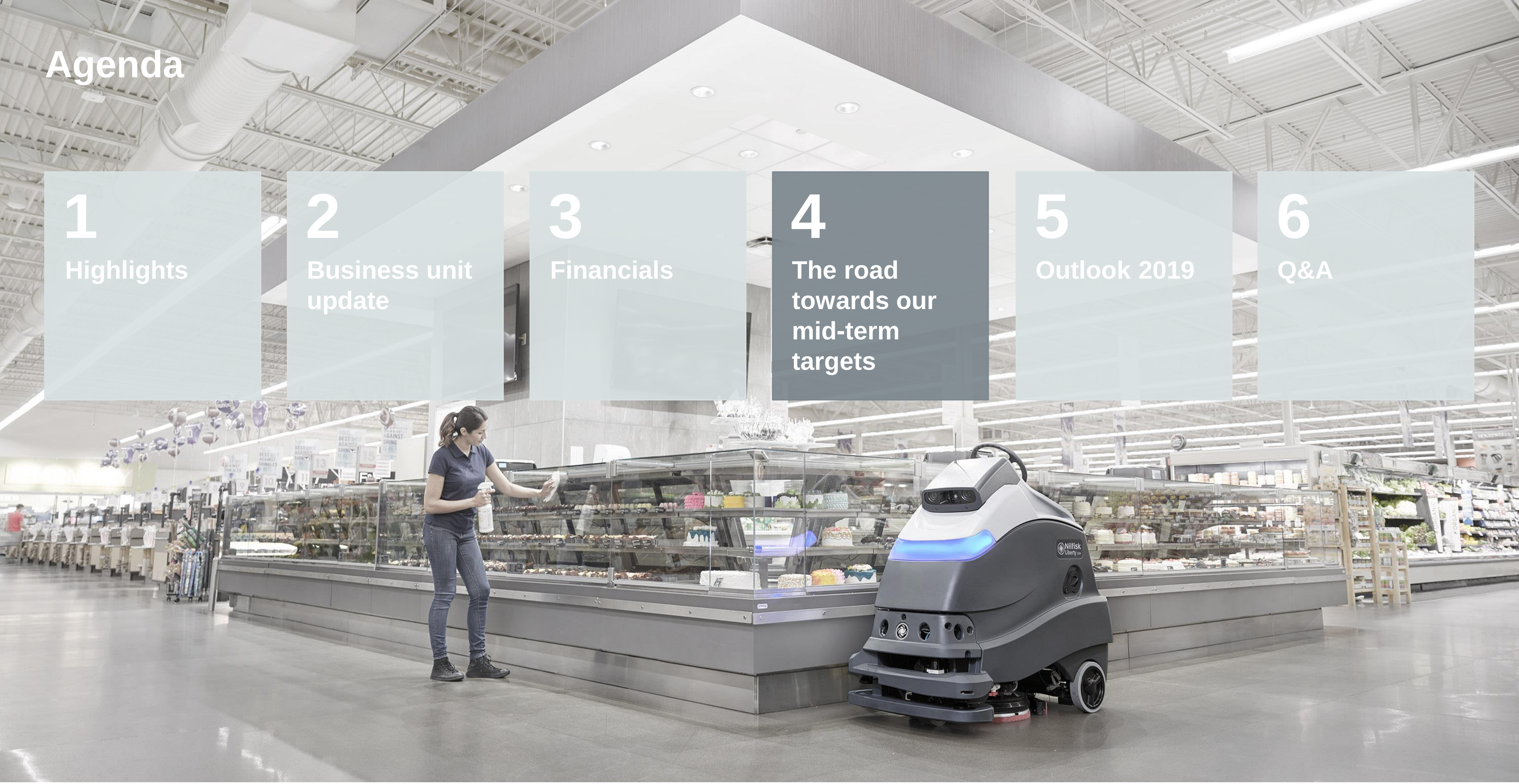
2 Business unit update

3 Financials

4 The road towards our mid-term targets

5 Outlook 2019

6 Q&A

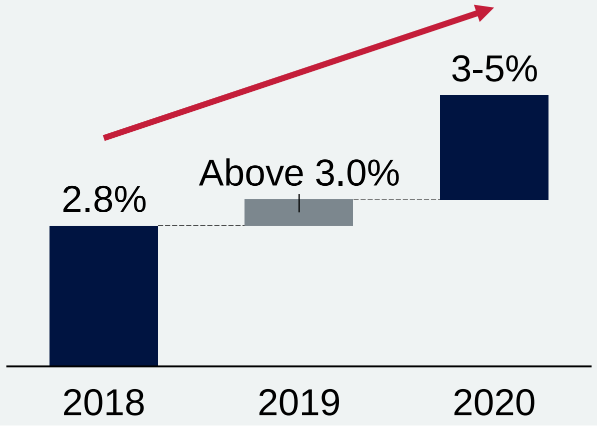


Organic growth road to mid-term target 2020

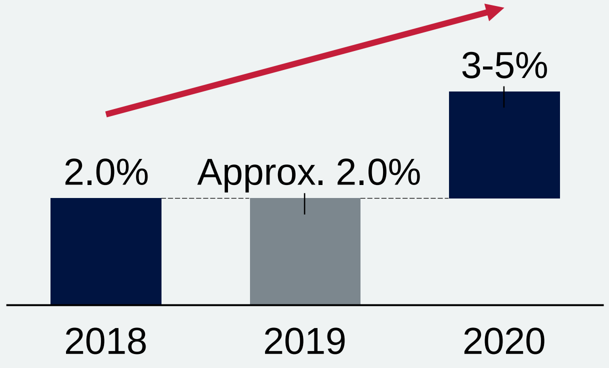
2018 activities impacting 2019

- Refined go-to-market in the US
- Building on the momentum in Germany
- Re-organized APAC
- G50 (large and most sophisticated customers)
- Launch of Liberty SC50
- Updated go-to-market strategy for Viper
- Upgrade of quality in industrial products

Nilfisk branded professional business



Nilfisk total business



2019 activities impacting 2020

- Sales blueprint roll-out with segment focus and one sales force selling all professional products
- End-user focus in the US (pull)
- Continued autonomous focus
- Global service approach
- Salesforce/ServiceMax roll-out finalized
- New web and e-commerce platform
- Launch of the first digital services

Progressing with autonomous machines

- The stated aspirations: Revenue from autonomous machines of up to 10% in (2022-2024)
- We continue our strategy of working with different partners (currently Carnegie and Blue Ocean) to ensure our long-term goal of a full portfolio of connected autonomous solutions
- Encouraging early adoption in North America and EMEA during 2018
- Examples of buying customers: ISS, Compass Group, AtalianServest, and Bunzl
- Applications: Office environments, Airports, Shopping Malls, Nuclear Plants, and High Schools
- The expected ramp-up for 2019 progressing

EBITDA road to mid-term target 2020

Excluding IFRS 16 adjustment

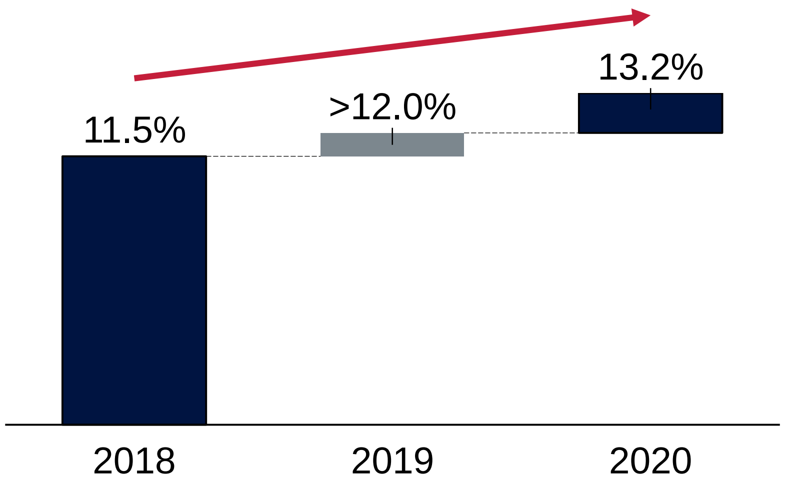
2018 activities impacting 2019

Gross margin (expected uplift of ~1.5 percentage points):

- Divestments of low margin business
- Reduction of production sites
- Procurement savings
- US pricing project
- Reduction of product platforms
- 9% reduction in number of suppliers

Overheads (expected negative impact of ~1.0 percentage point):

- Divestments
- Consolidation and outsourcing of Finance and Customer Care activities
- Move to LCC countries
- Positive impact of overhead savings expected to be off-set by investments in building the future of approx.1.5 percentage points



2019 activities impacting 2020

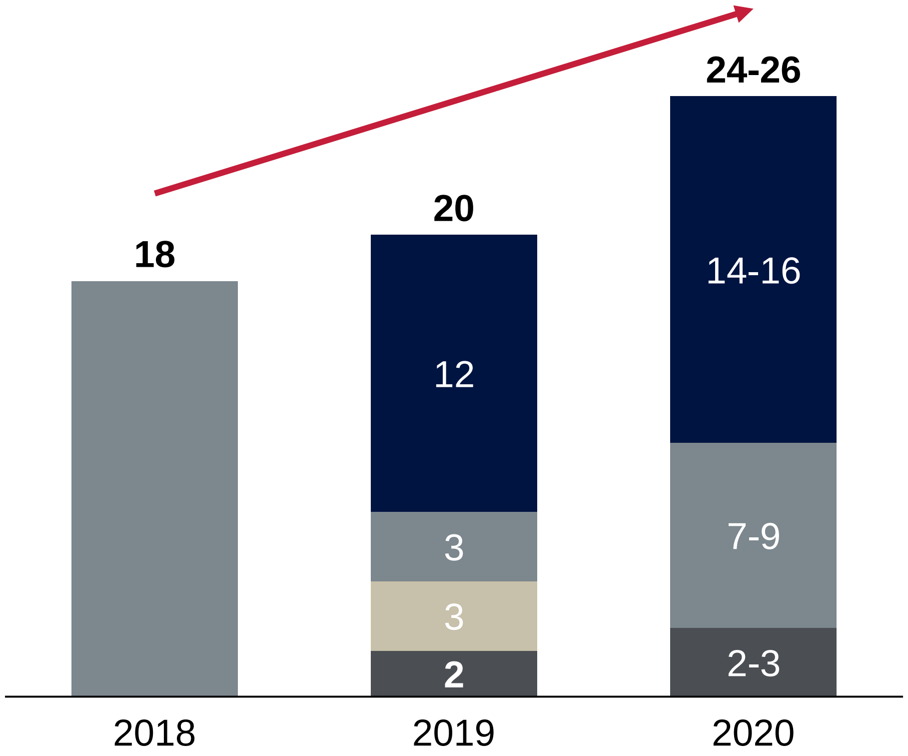
Gross margin (expected uplift of ~0.6 percentage point):

- Procurement optimization
- Optimization of service business (global approach)
- EMEA distribution center optimization
- US and EMEA pricing project
- Continued product pruning

Overhead (expected uplift of ~0.6 percentage point):

- Blueprint roll-out (Local to global)
- ERP consolidation and master data alignment
- Consolidation and outsourcing of Finance and Customer Care activities

Investments to build the future



Comments

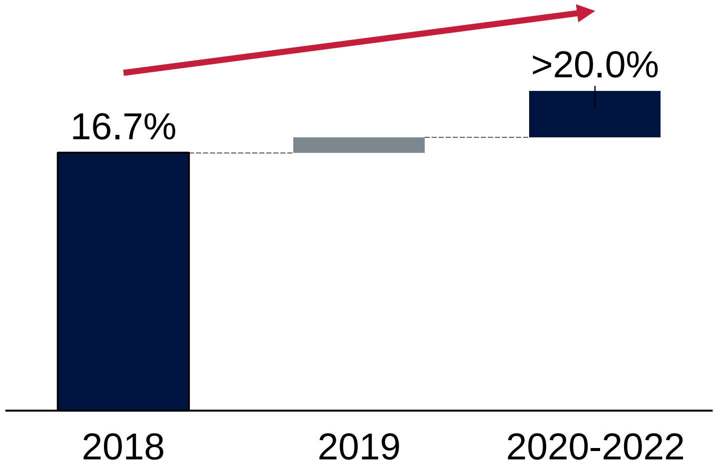
- Increasing investments to build the future
- Our 2019 investments falls into the following categories:
  - Digitalization and autonomous of 12 mEUR
  - IT investments of 3 mEUR
  - Marketing investments of 3 mEUR
  - Other transformational cost of 2 mEUR
- Indicative investments 2020:
  - Digitalization and autonomous of 14-16 mEUR
  - IT investments of 7-9 mEUR
  - Other transformational cost of 2-3 mEUR

RoCE road to mid-term target 2020

Excluding IFRS 16 adjustment

2018 activities impacting 2019

- Negative impact from high inventory build-up due to production moves impacting on LTM basis
- Sustainable increase in working capital from phantom shares and VAT payment terms
- Production footprint reductions
- Divestments



2019 activities impacting 2020

- Distribution Centre footprint and local optimization
- Global alignment of A/R and A/P processes
- Procurement initiatives

Agenda

1 **Highlights**

2 **Business unit update**

3 **Financials**

4 **The road towards our mid-term targets**

5 **Outlook 2019**

6 **Q&A**

Outlook 2019

Organic growth

Above **3.0%**

Organic growth in the Nilfisk branded professional business

Approximately **-10.0%**

Organic growth private label

Approximately **0%**

Organic growth in consumer business

Approximately **2.0%**

Organic growth in the total business

EBITDA margin

Above **14.4%**

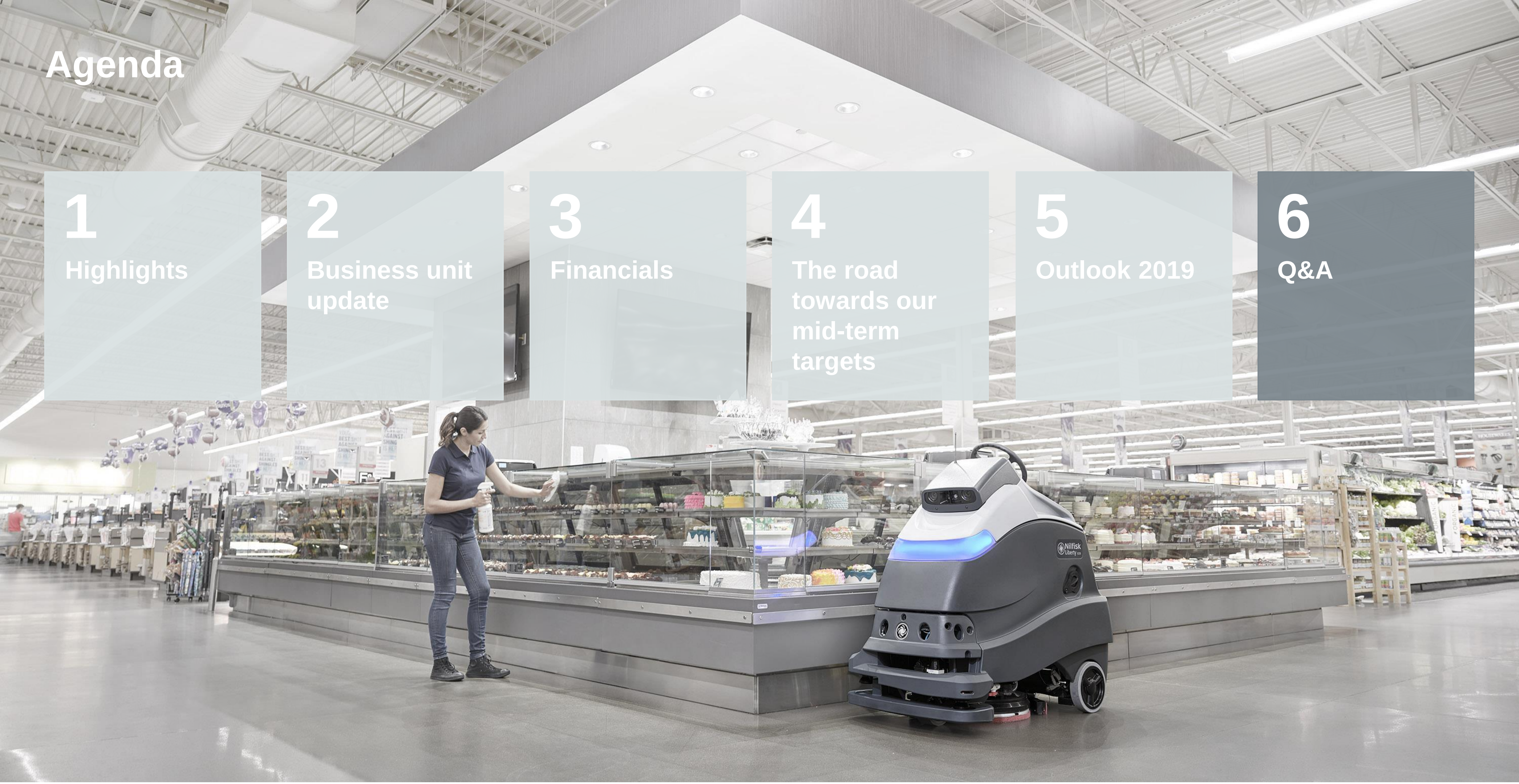
EBITDA margin before special items
IFRS 16 impact of 2.4 percentage points expected

Main assumptions

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

Nilfisk

Agenda



1 Highlights

2 Business unit update

3 Financials

4 The road towards our mid-term targets

5 Outlook 2019

6 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.