Nilfisk Q3 Interim Report 2018
Webcast presentation November 14, 2018

Nilfisk

Agenda

1	Highlights
2	Business unit update
3	Simplifications initiatives
4	Financials
5	Outlook 2018
6	Q&A

Q3 2018 results

Financial highlights

- Q3 organic growth of 2.6%, YTD 3.3%
- With 4.5%, we saw the strongest quarterly organic growth so far this year in the professional business (excluding private label), driven by EMEA
- Gross margin of 40.9%, below expectations
- Improved operating performance*) with 10.5% vs 8.9% in Q3 2017, after tight overhead cost control

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

Nilfisk

Agenda

EMEA: Strong growth in branded business

	Q3 2018
Revenue	**118.4 mEUR**
Share of revenue	**47%**
Organic growth	**3.9%**

Comments

- Organic growth in Q3 of 3.9%, with branded professional business delivering 8.2% organic growth
- Double-digit growth in several regions: France driven by high demand from institutions, industrial customers and high service activity and Germany due to high demand for machines, partly off-set by declining service. Eastern Europe also delivering strong performance
- UK still suffering from market uncertainty related to Brexit
- Private label business with 15.5% negative growth as expected due to the exceptional high activity in Q3 2017
- Gross margin in Q3 of 40.7%, on level with Q3 2017, but lower than H1 2018 due to product mix

AMERICAS: Unsatisfactory growth

	Q3 2018
Revenue	**67.4 mEUR**
Share of revenue	**27%**
Organic growth	**0%**

Comments

- Flat organic growth in Q3 in Americas is below expectations
- US is flat and below our expectations due to:
  - delay of revenue within strategic accounts
  - industrial production output increased, but continuing long lead times has in some cases resulted in cancellations of orders
  - implementation of ServiceMax causing lower service activity
- Latin America delivered strong organic growth of 11.2% in Q3, driven by Brazil and Argentina in particular
- Gross margin in Q3 of 40.5%, up 2.1 percentage points compared to Q3 2017. Improvement due to price management and product mix
- We expect positive growth in Q4 and reiterate that we expect H2 organic growth to improve over H1
- Change of leadership of the Americas region in November

APAC: Positive momentum during period of change

	Q3 2018
Revenue	**19.7 mEUR**
Share of revenue	**8%**
Organic growth	**2.0%**

Comments

- Organic growth in Q3 of 2.0%
- China posted double-digit growth again in Q3 with increased sales to contract cleaners and mid-market.
- Thailand recovered from two difficult quarters and delivered double-digit organic growth in Q3
- Growth partly off-set by Australia due to lower activity in mid-market
- Gross margin in Q3 of 40.6%, up 1.5 percentage points compared to Q3 2017. Improvement due to positive change in product mix
- Significant transformation and strengthening of the APAC region with several leadership changes and addition of regional resources

Specialty Professional: Strong growth in the continuing business

	Q3 2018
Revenue	**30.8 mEUR**
Share of revenue	**12%**
Organic growth	**5.7%**

Comments

- Organic growth in Q3 of 5.7%
- The continuing specialty professional business continued strongly with 9.6% organic growth
- Outdoor and the restoration business both delivered negative growth in Q3
- Strategic review of Outdoor and Restoration completed and both businesses exited
- Gross margin in Q3 of 47.7%, down 4.5 percentage points compared to Q3 2017 due to lower margins in Outdoor and restoration businesses

Specialty Consumer: Growth affected by production closure

	Q3 2018
Revenue	**17.3 mEUR**
Share of revenue	**7%**
Organic growth	**-1.4%**

Comments

- Focus continues on maintaining topline and improve profitability
- Organic growth in Q3 of -1.4%
- Earlier-than-expected closure of production in Suzhou, China, negatively impacted the delivery situation in Q3 and is also expected to impact Q4
- Gross margin in Q3 of 31.8%, down 0.6 percentage point compared to Q3 2017 mainly due to increased raw material costs
- Focus on optimization of the cost structure paid off with EBITDA improving 2.7 percentage points compared to YTD 2017
- Strategic review initiated and expected to be completed during 2019

Agenda

1	Highlights
2	Business unit update
3	Simplifications initiatives
4	Financials
5	Outlook 2018
6	Q&A

Simplification of the business: Exits and divestments

- Strategic review of Outdoor (annual revenue 35 mEUR) concluded:
  – Sub-scale player in an investment heavy and tender based market
  – No synergies with our professional business
- Sold the Danish-based part of the business (the 2150-2250 range comprising two multi-purpose machines in the sub 0.5 m^3 segment) effective January 1, 2019
- Immediate start of exit from the Italian-based part of the business (the 3500-3570 range comprising two machines in the 1-1.5 m^3 segment)
- Sold the US restoration business (annual revenue15 mEUR) effective October 29, 2018
  – Market with limited growth potential
  – No synergies with our professional business
- Sold a small HPW business in Turkey (annual revenue 1 mEUR)

Simplification of the business: Production footprint

- Closure of production in Suzhou, China, and outsourcing of production of consumer and private label products
  - earlier than planned execution due to strike
  - negative impact on consumer revenue in Q3 and negative impact on Q4 revenue in Specialty Consumer and private label
- Consolidation of manufacturing of professional products into one site in Dongguan, China
- Consolidation of manufacturing of professional products from Guardamiglio, Italy, to Szigetszentmiklós, Hungary, thereby completing the restructuring of the European production set-up
- Nilfisk has exited five of 17 production sites in 2018 and intends to exit Guardamiglio during 2019

Financial impact of simplification actions

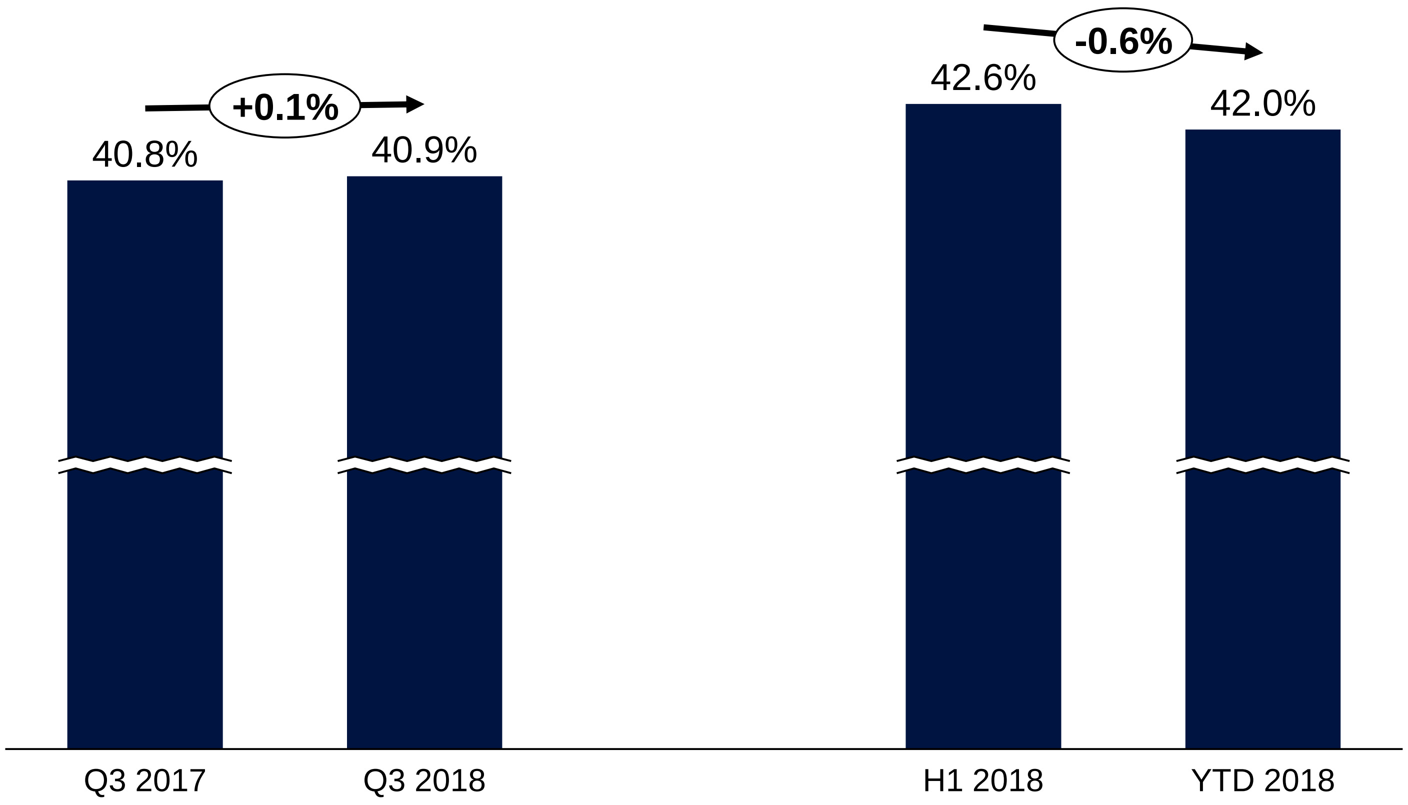
- The divestments/close downs are expected to lead to
  - slightly positive cash flow
  - a P/L charge on special items of 30-35 mEUR, with impact in Q3 of 20 mEUR
  - non-cash B/S write downs but no goodwill impairment

- EBITDA margin in 2019 expected to be positively impacted by the divestments and exits in 2018 with an expected uplift of 0.2-0.3 percentage point

Agenda

1	Highlights
2	Business unit update
3	Simplifications initiatives
4	Financials
5	Outlook 2018
6	Q&A

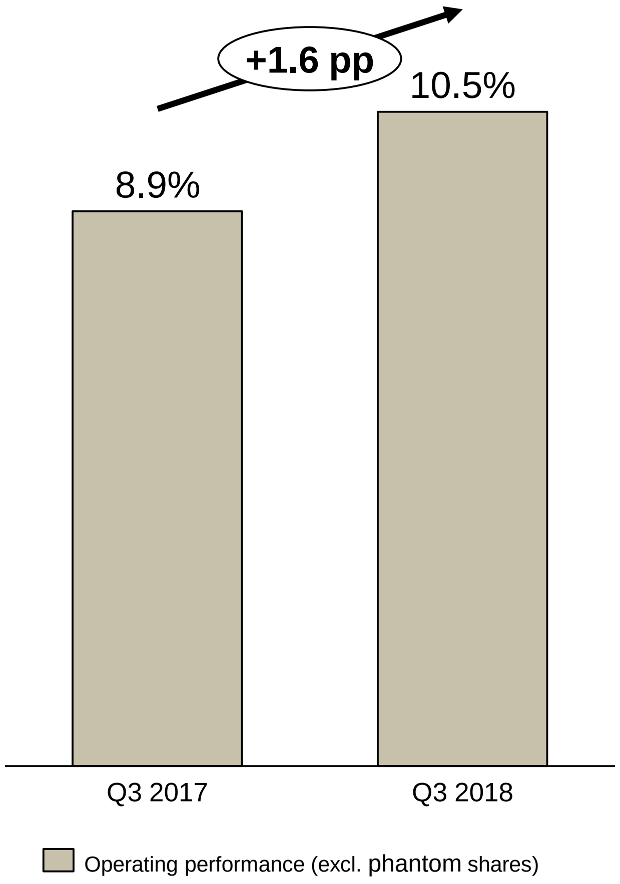
Gross Margin in line with Q3 2017 but declining from previous quarters

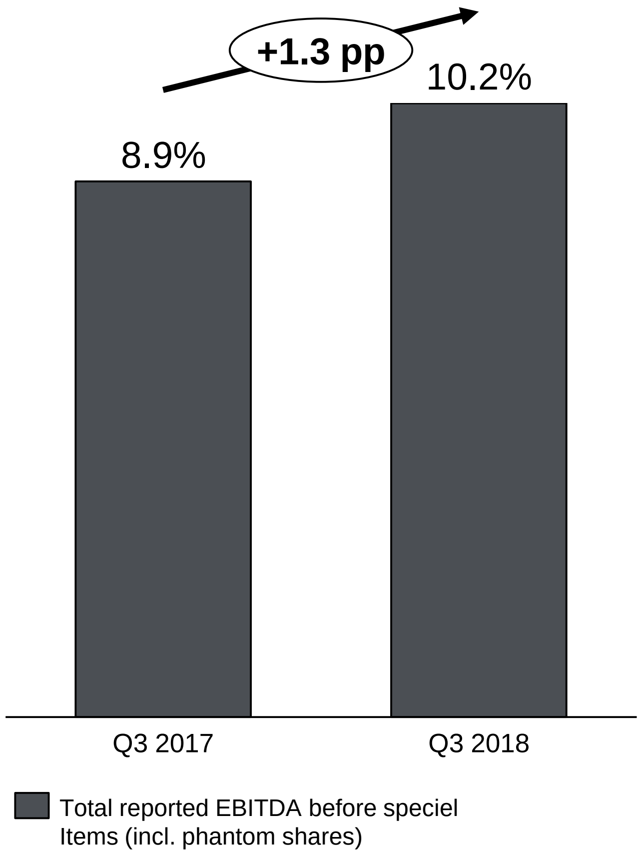


Comments

- Gross margin of 40.9% in line with Q3 2017
- Negative impact compared to H1 due to:
  - Increased raw material prices
  - Tariff impact in US
  - Changes in product mix
  - One-off cost in production
- Q4 margin expected to improve over Q3 2018 and Q4 2017 primarily due to mix but continuing impact from raw materials and tariffs puts YoY improvement at risk

EBITDA margin in line with expectations





Comments

- EBITDA margin (operating margin) of 10.5% in line with expectations, up 1.6 percentage points compared to Q3 2017
- YoY improvement caused by lower overhead cost ratio (33.5% vs 35.0% in Q3 2017 excluding phantom share effect)
- Cost saving program and cost control measures kicking in
- Compared to Q2 the operating performance in Q3 is impacted by the lower GP% - overhead cost significantly reduced
- Impact from phantom shares in Q3 of 0.7 mEUR and an impact YTD of -2.5 mEUR

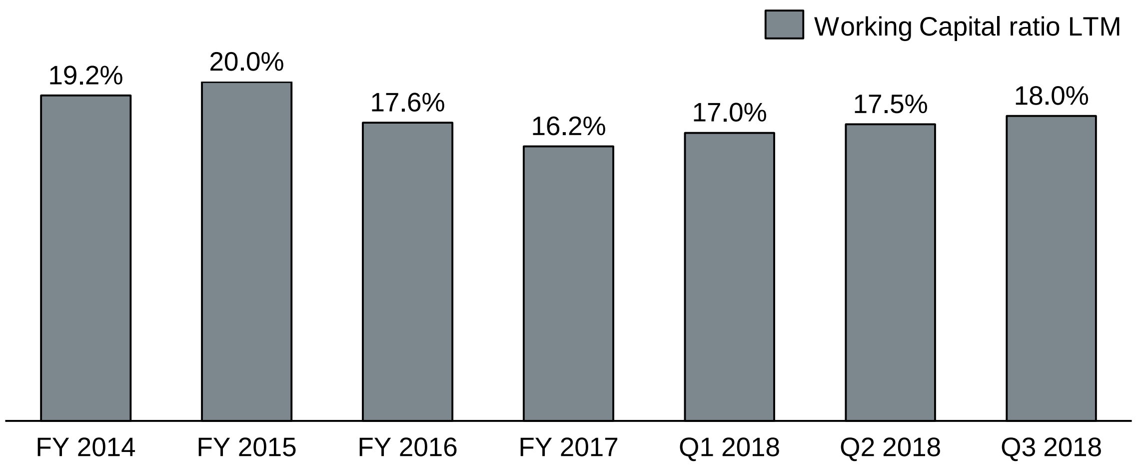
Cost saving program on track

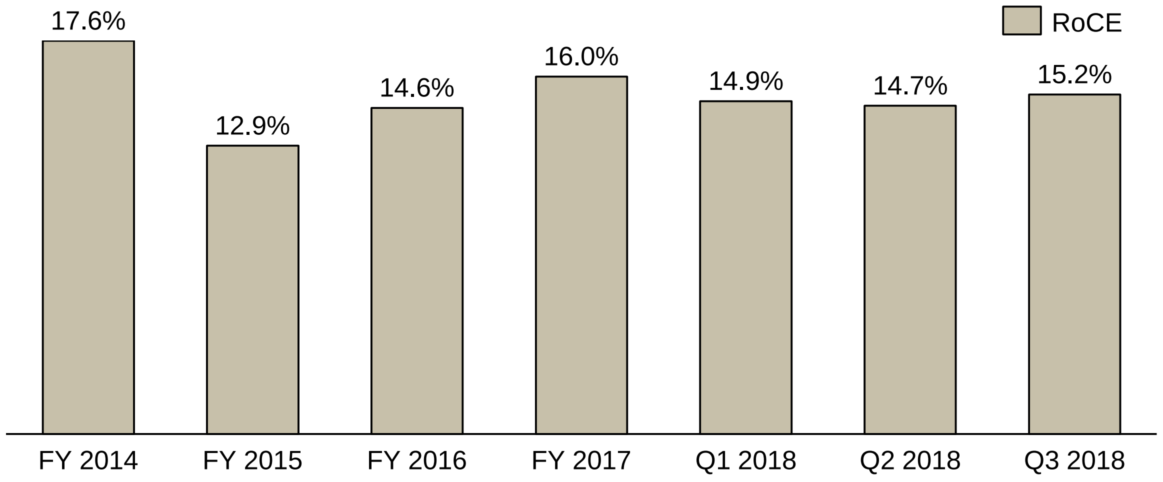
EUR million	2017 Realized	2018 9M	2018 Expected	2019 Expected	2020 Expected	Full potential end 2020
Annual accumulated impact on EBITDA before special items related to levers executed prior to the end of each period	21	30	32-35	39-43	50	50
Impact on reported EBITDA before special items in the income statement for the period	17	21	28-30	34-36	45-50	50
Restructuring costs for the period (reported under Special items)	10	13	17-19	9-11	2-3	50
Capex investments for the period	4	3	3-4	1-2	1-2	10

Comments

- In Q3 2018, a further 2 mEUR of the program is executed. In total 30 mEUR attained:
  - Overhead reductions of 18 mEUR
  - Global operations initiatives of 9 mEUR
  - Complexity and pricing of 3 mEUR
- Actions in Q3 primarily related to:
  - Procurement savings
  - Overhead savings
  - Production footprint
- Initiatives have positively impacted cost with savings of 9 mEUR YTD 2018 compared to YTD 2017
- 2018 full year impact of the cost saving program is expected to be in the range of 11-13 mEUR compared to 2017

Working capital and RoCE





Comments

- Working capital ratio 18.0%, above expected normalized level due to:
  - increased inventories following the production footprint simplification
- RoCE of 15.2% improved over H1 due to higher EBIT

Agenda

1	Highlights
2	Business unit update
3	Simplifications initiatives
4	Financials
5	Outlook 2018
6	Q&A

Outlook 2018 – reiterated from October 11 update

Organic revenue growth	EBITDA margin before special items
Approx. 2% 2018 guidance	**Lower end of 11.5%-12.0%** 2018 guidance

Nilfisk

Agenda

1	Highlights
2	Business unit update
3	Simplifications initiatives
4	Financials
5	Outlook 2018
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.