

Nilfisk Q1 2020 Interim Report

Webcast presentation



Forward looking statements

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Q1 Highlights

Customer demand dropped significantly mid-March due to COVID-19 impact

- Strong focus on safety and on servicing customers in a challenging quarter
- Results as expected until mid-March
- Drop in customer demand from mid-March led to
 - Organic growth of -10.3%
 - EBITDA margin bsi of 11.4%
- Customer demand significantly impacted by COVID-19 in most markets and segments
- Production and distribution sites remained operational throughout Q1



Q1 Highlights

Focus on managing crisis and preparing for post COVID-19 opportunities

- Status as of today – demand remains low with drop in April organic growth of more than 30%
- Focus short-term on capacity adjustments and cost
 - Employees on leave or furlough
 - Prudent cost management
 - Focused investments in strategic projects
- Restructuring plan to mitigate crisis impact incl. reducing workforce by an estimated 250 FTE
- Focus mid-term on post-COVID-19 opportunities
 - Value of clean remains unchanged
 - Continued commitment to strategic directions
- 2020 financial guidance remains suspended



Business update

COVID-19 impact and mitigating actions



- Secured business continuity
- Status as essential business
- Digital customer interactions



- All production sites operational
- Safety measures implemented
- Employees stepping up



- No material impact
- Temporary shortage in Consumer
- Contingency plans in place

In short

Managing the crisis

1. All production sites have been operational throughout the crisis
2. Commitment to our strategic direction remains unchanged
3. Responding by managing costs and preparing for a restructure



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Income statement

| EUR million | Q1 2020 | Q1 2019 | Change |
|------------------------------------|--------------|--------------|--------|
| Net sales | 219.1 | 246.6 | -27.5 |
| <i>Reported growth</i> | -11.2% | -4.2% | -7.0% |
| <i>Organic growth</i> | -10.3% | 1.0% | -11.3% |
| COGS | -125.3 | -140.7 | 15.4 |
| Gross profit | 93.8 | 105.9 | -12.1 |
| <i>Gross margin</i> | 42.8% | 42.9% | -0.1% |
| Overhead costs | -85.6 | -89.0 | 3.4 |
| <i>Overhead cost ratio</i> | 39.1% | 36.1% | 3.0% |
| EBITDA before special items | 24.9 | 32.7 | -7.8 |
| <i>EBITDA margin bsi</i> | 11.4% | 13.3% | -1.9% |
| Special items | -0.6 | -7.4 | 6.8 |
| EBITDA | 24.3 | 25.5 | -1.2 |
| <i>EBITDA margin</i> | 11.1% | 10.3% | 0.8% |
| EBIT | 7.6 | 9.5 | -1.9 |
| <i>EBIT margin</i> | 3.5% | 3.9% | -0.4% |

Comments

- Total reported revenue down by 27.5 mEUR corresponding to reported growth of -11.2%
 - Impact from consumer exit in 2019 from Pacific -1.3%
 - Positive impact from FX of 0.4% due to USD
 - Organic growth of -10.3%
- Gross margin in line with last year
 - Positive effect: Consumer exit in Pac, raw material prices
 - Negative impact: lower capacity utilization and US tariffs
- Overhead costs down by 3.4 mEUR
- EBITDA bsi impacted by revenue decline
- Special items 6.8 mEUR lower as expected

EMEA



| | Q1 2020 | Q1 2019 |
|-------------------|---------|---------|
| Revenue (mEUR) | 108.1 | 116.2 |
| Organic growth | -6.8% | 3.6% |
| Gross margin | 46.6% | 48.1% |
| EBITDA margin bsi | 25.9% | 27.7% |

Comments

- Performance as expected until mid-March
- COVID-19 negatively impacted demand in late March, in particular in South (France, Spain and Italy)
- Gross margin negatively impacted by lower capacity utilization
- Active efforts to reduce overhead costs
- EBITDA margin bsi down by 1.8pp mainly due to lower gross margin

Americas



| | Q1 2020 | Q1 2019 |
|-------------------|---------|---------|
| Revenue (mEUR) | 62.6 | 69.8 |
| Organic growth | -12.3% | 3.2% |
| Gross margin | 41.5% | 42.8% |
| EBITDA margin bsi | 15.5% | 19.4% |

Comments

- Organic growth negatively impacted by performance in US mainly in industry and strategic accounts
- Negative impact on demand from COVID-19 across all Americas markets during late March
- Gross margin negatively impacted by lower capacity utilization and US imposed tariffs
- Reduced overhead costs not fully compensating for sharp revenue decline
- EBITDA margin bsi down by 3.9pp due to lower gross margin and higher overhead cost ratio

APAC



| | Q1 2020 | Q1 2019 |
|-------------------|---------|---------|
| Revenue (mEUR) | 15.1 | 20.2 |
| Organic growth | -25.0% | -2.9% |
| Gross margin | 42.4% | 41.6% |
| EBITDA margin bsi | 3.3% | 13.1% |

Comments

- China significantly negatively impacted by lower activity due to COVID-19
- Rest of APAC in line with expectations until mid-March, where demand declined significantly
- Gross margin improved mainly due to product mix effects
- Overhead costs in line with last year
- Drop in EBITDA margin bsi of 9.8pp impacted by significant drop in revenue

Other business units

Consumer

- Good performance during Q1 was slightly impacted by supplier constraints in February
- Exit from Pacific region in Q4 2019 negatively impacting reported growth in Q1 2020 by 13.0pp
- Gross margin improved due to negative one-off effects impacting Q1 2019 related to outsourcing of production

| | Q1 2020 | Q1 2019 |
|----------------|---------|---------|
| Revenue (mEUR) | 21.1 | 24.8 |
| Organic growth | -0.7% | -7.2% |
| Gross margin | 36.5% | 34.9% |

Private label and other

- Revenue down by 21.8% in line with expectations
- Gross margin positively affected by product and customer mix

| | Q1 2020 | Q1 2019 |
|----------------|---------|---------|
| Revenue (mEUR) | 12.2 | 15.6 |
| Organic growth | -21.8% | -6.7% |
| Gross margin | 27.0% | 19.2% |

Balance sheet and cash flow

| EUR million | Q1 2020 | Q1 2019 | Change |
|--------------------------|---------|---------|--------|
| Inventories | 169.4 | 181.8 | -12.4 |
| Trade receivables | 172.6 | 211.5 | -38.9 |
| Trade payables | 107.7 | 114.2 | -6.5 |
| Reported WC | 172.9 | 205.9 | -33.0 |
| <i>12m NWC ratio</i> | 20.9% | 19.1% | 1.8% |
| CAPEX | -5.0 | -12.6 | 7.6 |
| Tangibles | -1.2 | -3.8 | 2.6 |
| Intangibles | -3.8 | -8.8 | 5.0 |
| <i>CAPEX ratio %</i> | 2.3% | 5.1% | -2.8% |
| Free cash flow | 2.2 | -23.4 | 25.6 |
| RoCE | 7.5% | 15.3% | -7.8% |
| NIBD | 425.3 | 465.8 | -40.5 |
| <i>Financial gearing</i> | 3.7 x | 3.6 x | 0.1 |

Note: Financial gearing for Q1 2019 not comparable due to IFRS 16 impact

Comments

- WC reduced by 33 mEUR mainly due to lower trade receivables caused by reduced revenue
- Lower inventories driven by 2018 divestments, Consumer exit in Pacific and reduced inventories
- LTM WC ratio up by 1.8 pp
- CAPEX reduced by 7.6 mEUR mainly due to lower capitalization of R&D projects
- Free cash flow up by 25.6 mEUR due to lower WC investments, CAPEX and special items
- RoCE down 7.8 pp due to lower EBIT bsi
- NIBD down 40.5 mEUR due to improved cash flow

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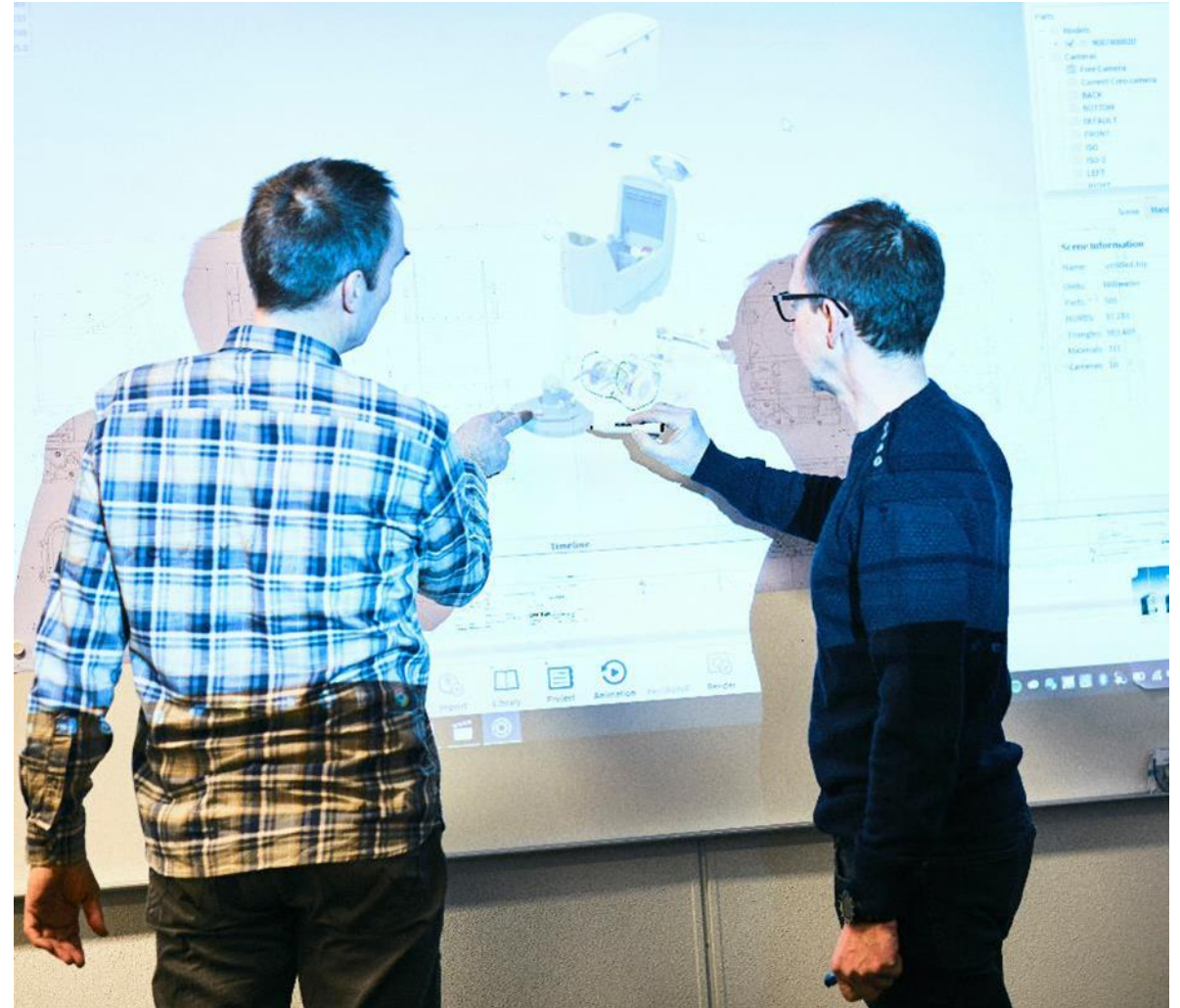
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Financial guidance for 2020 remains suspended

- 2020 guidance suspended March 19 due to low visibility and high uncertainty caused by COVID-19
- As of today, visibility remains low and the impact of the crisis cannot be accurately assessed
- Consequently, the financial guidance for 2020 remains suspended



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Forward-looking statements

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