Nilfisk Q2 Interim Report 2018

Webcast presentation – August 14

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Agenda

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2	Business unit update
3	Financials
4	Outlook 2018
5	Q&A

Strong financial performance in Q2

Financial highlights

- Strong financial performance with organic growth of 5.8%, driven by positive sentiment in four out of five operating segments
- Strong gross margin of 42.8%, demonstrating consistent improvement
- Strong operating performance*) of 12.5%
- Cost saving program continued to progress in line with expectations
- 2018 outlook is unchanged

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

Simplification of the business: Execution on plan

Actions

- Strategic review of Outdoor expected to be concluded in Q3
- Strategic review of restoration business initiated and expected to be concluded in Q3
- Implementation of product pruning leading to a reduction of +40% of our product platforms progressing according to plan
- Redefined, tiered dealer structure implemented in the US. 1,600 dealers serviced low touch through external agency

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EMEA: Strong organic growth

	Q2 2018
Revenue	**123 mEUR**
Share of revenue	**43%**
Organic growth	**4.8%**

Comments

- Strong organic growth in Q2 of 4.8%
- Strong recovery in Germany with double-digit organic growth in Q2
- Overall strong development in the private label business, Eastern Europe, Spain, and France
- Benelux behind expectations due to lower service activity
- UK suffering from Brexit uncertainty
- Strong gross margin in Q2 of 43.2%, up 1.4 percentage points compared to Q1 2018
- Stronger foothold in Southwest France through acquisition of SPE, a large dealer focusing on contract cleaners
- New head of EMEA appointed

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AMERICAS: Unsatisfactory growth

	Q2 2018
Revenue	**72 mEUR**
Share of revenue	**26%**
Organic growth	**-0.1%**

Comments

- Flat organic growth in Q2 in Americas
- US improved over Q2, but had flat growth. Below expectations due to:
  - a strategy change from a large dealer
  - a shift in business activity towards industrial floorcare equipment
  - timing of strategic account wins
  - lower demand from retail and governmental accounts
- Continued strong demand and pipeline from strategic accounts
- Gross margin in Q2 of 42.9%, up 0.8 percentage point compared to Q1 2018
- A redefined tiered dealer structure including new territories in the US implemented April 1

APAC: Reasonable momentum given ongoing changes

	Q2 2018
Revenue	**20 mEUR**
Share of revenue	**7%**
Organic growth	**2.2%**

Comments

- Organic growth in Q2 of 2.2%
- China continued to post double-digit growth and Japan also showed double-digit growth
- Growth partly off-set by Australia
- Gross margin in Q2 of 42.9%, up 0.7 percentage point compared to Q1 2018
- Several leadership positions changed, most recently in Australia

Specialty Professional: Exceptional growth




	Q2 2018
Revenue	**37 mEUR**
Share of revenue	**13%**
Organic growth	**18.7%**

Comments

- Strong organic growth in Q2 of 18.7%
- Continued growth in Industrial Vacuum Solutions driven by high demand in the food and pharma industry
- Strong growth in the Nilfisk Food business due to a significant order. New partnership agreement signed with FOAM-iT
- Strong growth in Outdoor and US Restoration
- Gross margin in Q2 of 45.8%, down from Q1 2018 mainly due to product mix (Outdoor)
- Strategic reviews of Outdoor and Restoration expected to be completed in Q3

Specialty Consumer: Strong growth and stabilization of business

	Q2 2018
Revenue	**32 mEUR**
Share of revenue	**11%**
Organic growth	**14.3%**

Comments

- Strong organic growth in Q2 of 14.3% (H1: 1.5%)
- Successful high pressure washer season with strong Q2 sales driven by the DIY segment in Germany
- Focus on EBITDA improvements paid off with increase in H1 EBITDA from 7.4% in 2017 to 10.2% in 2018

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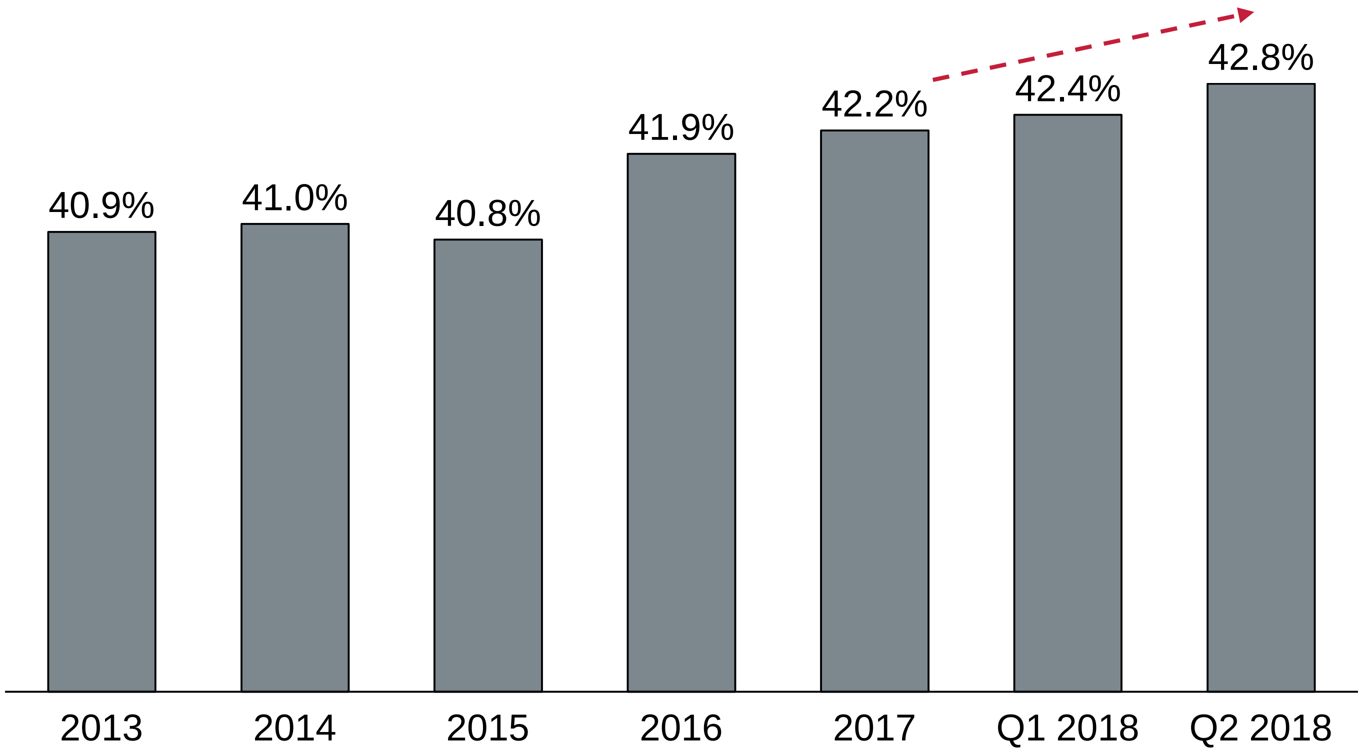
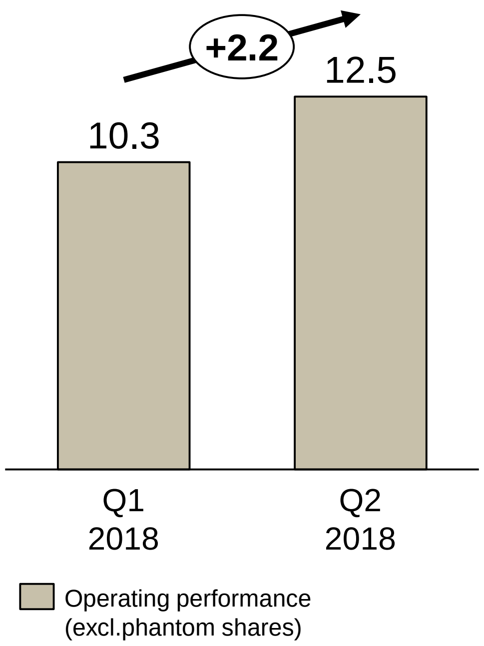
Strong continued gross margin journey

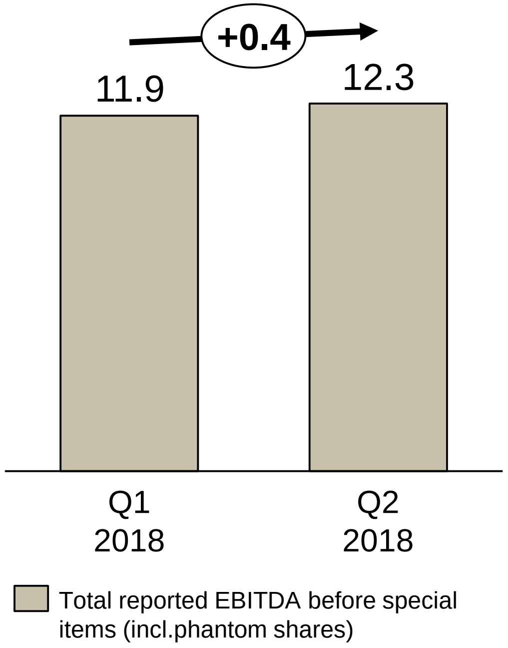


Comments

- Strong gross margin of 42.8% demonstrating consistent improvement
- Positive impact from:
  - capacity utilization in factories
  - product mix in the professional business
  - cost saving program
- Partly off-set by:
  - raw material prices
  - lower margins in the specialty business due to product mix (Outdoor)

Strong EBITDA margin in Q2





Comments

- Strong operating performance of 12.5%
- Gross margin improvement of 0.4 percentage point and overhead cost ratio, excluding depreciation/amortization, improvement of 1.8 percentage points
- Overhead cost in control:
  - overhead cost ratio of 33.2% vs Q1 2018 of 35.3% (excluding phantom share effect)
- Phantom share program is phasing out -> change of 10 DKK in share price has P/L impact of approx. 300 tEUR

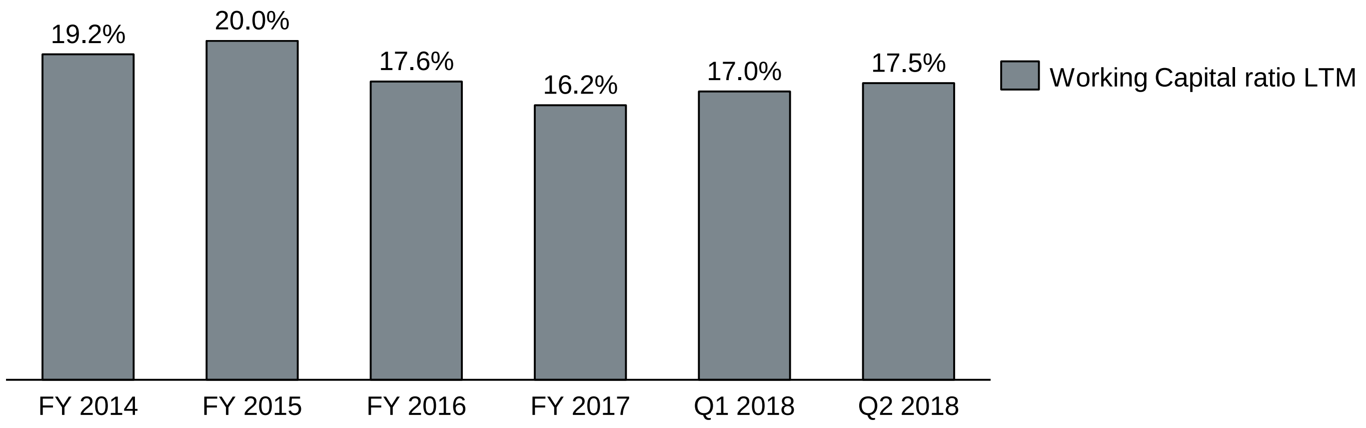
Cost saving program on track

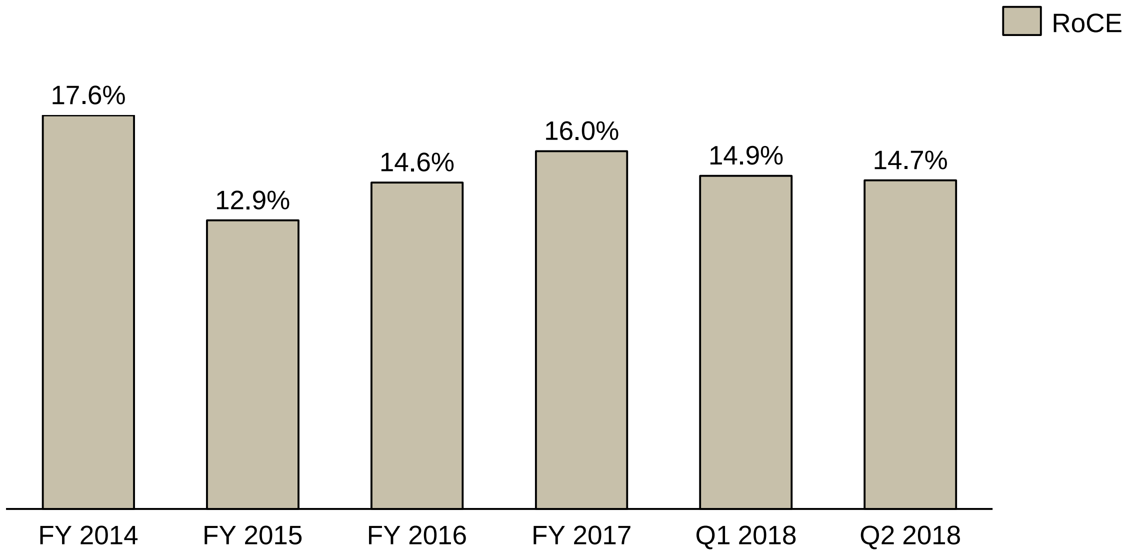
EUR million	2017 Realized	2018 H1	2018 Expected	2019 Expected	2020 Expected	Full potential end 2020
Annual accumulated impact on EBITDA before special items related to levers executed prior to the end of each period	21	28	31-35	38-42	50	50
Impact on reported EBITDA before special items in the income statement for the period	17	13	27-29	32-35	45-50	50
Restructuring costs for the period (reported under Special items)	10	4	17-19	9-11	2-3	50
Capex investments for the period	4	2	2-3	2-3	1-2	10

Comments

- In Q2 2018, a further 5mEUR of the program is executed. In total 28 mEUR attained:
  - Overhead reductions of 17 mEUR
  - Global operations initiatives of 8 mEUR
  - Complexity and pricing of 3 mEUR
- Initiatives have positively impacted cost with savings of 5 mEUR in H1 2018 compared to H1 2017
- 2018 full year impact of the cost saving program is expected to be in the range of 10-12 mEUR compared to 2017

Working capital and RoCE





Comments

- Working capital ratio 17.5%, slightly above expected normalized level
  - increased local inventories
  - increased accounts receivables
- RoCE of 14.7% below our expectations due to lower EBIT

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Outlook 2018 – unchanged

Organic revenue growth	EBITDA margin before special items
3.0%-4.0% 2018 guidance	**11.5%-12.0%** 2018 guidance

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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.