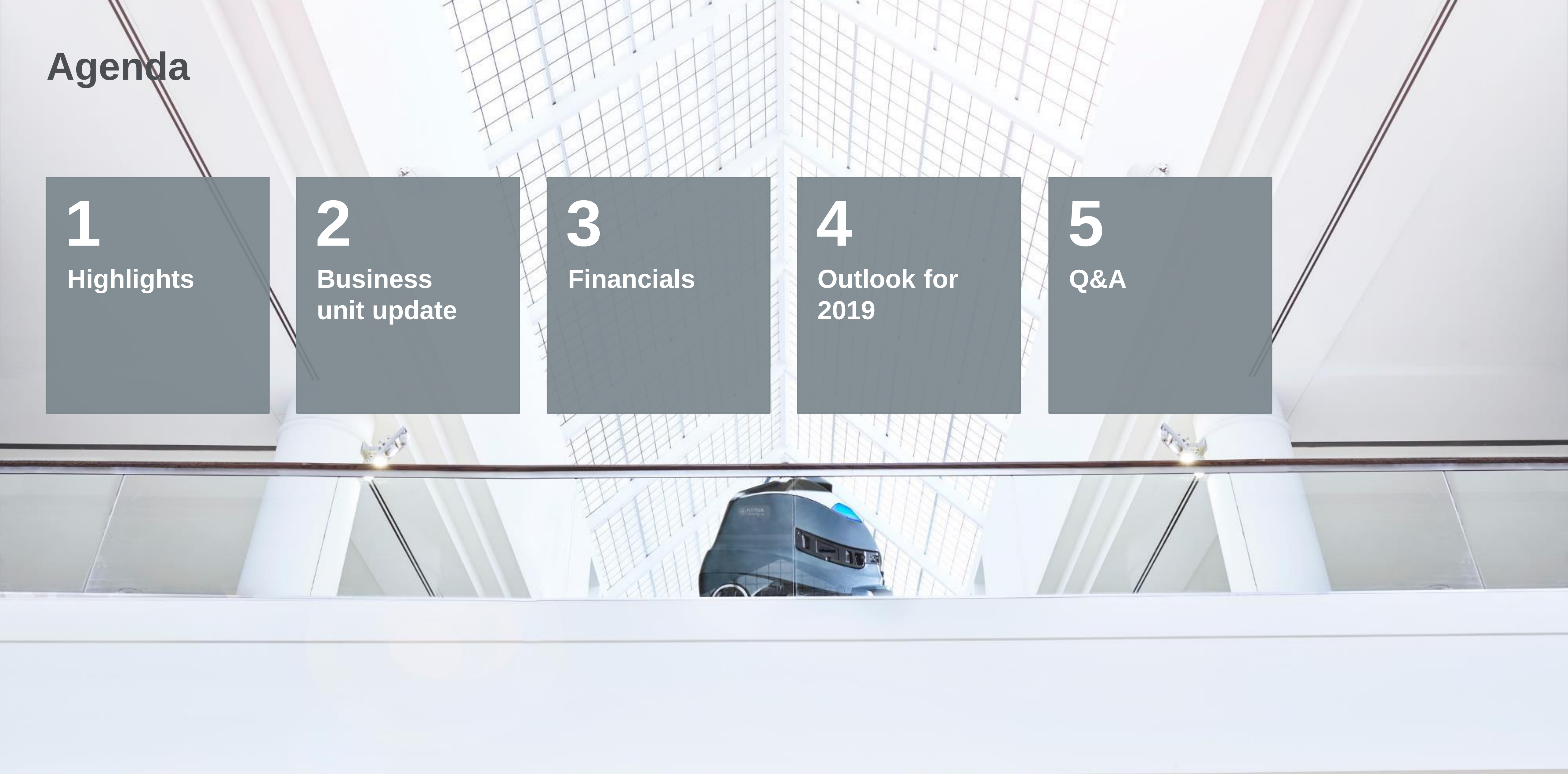
Nilfisk Q2 Interim Report 2019

Webcast presentation

Nilfisk



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Q2 2019: Performance negatively affected by EMEA

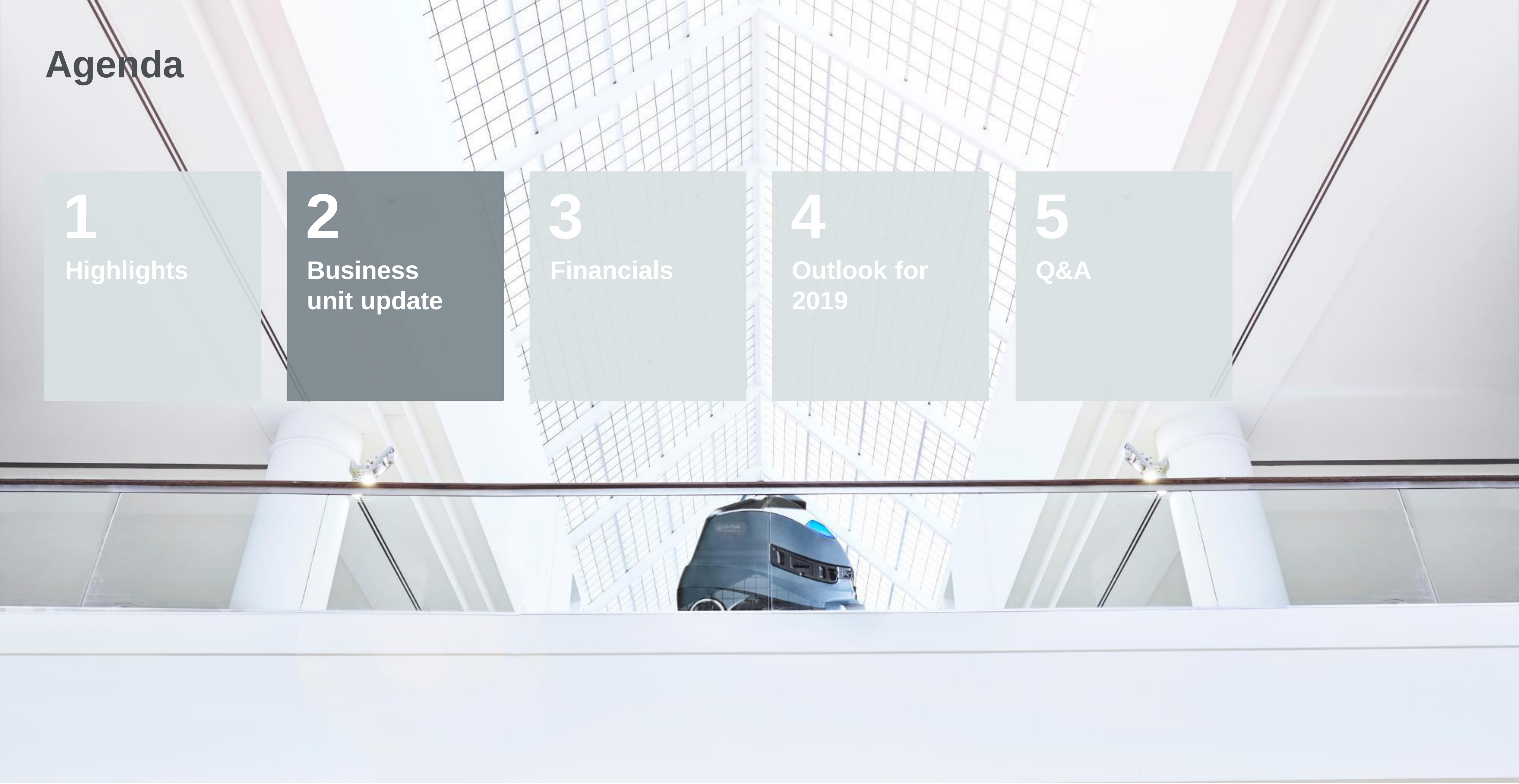
Financial highlights

- Weakening economic conditions in EMEA affected the performance of Nilfisk in Q2 - led to an adjustment of the full-year guidance June 26
- Organic growth of -1.1% in the branded professional business, negatively impacted by EMEA and APAC
- EMEA negatively impacted by a weakening economy affecting the industrial segment across the region, as well as Germany and the Nordics in general, resulting in organic growth of -1.5%
  – Excluding large one-time order in FOOD in Q2 last year, underlying organic growth in EMEA was -0.4%
- Negative development in Consumer and Private label led to organic growth for the total business of -4.4%
- The gross margin increased by 1.3 percentage points and came to 44.1% in Q2 2019 driven mainly by the simplification initiatives
- Operating margin equal to Q2 last year at 12.5%

Response to weakening economic conditions

Prudency and continued strategic execution

- Short term prudency
  - Immediate actions incl. hiring freeze, travel restrictions etc.
  - Short term cost reductions with an impact in 2019
  - Improve cash generation with focus on working capital and CAPEX
- Re-prioritize investments
  - Postpone selected investments
  - Increase efficiency
- Accelerate streamlining of global functions (blueprint)
  - Outsourcing
  - Shared service
  - Process alignment



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Branded professional business

EMEA

- Weakening economic conditions impacting Germany, the Nordic region and the industrial segment in general
- Good traction in UK, France, Benelux and smaller markets
- Large one-time order in FOOD in Q2 2018. Adjusted for this order, organic growth in Q2 2019 was -0.4%
- Gross margin up by 0.8 percentage point due to pricing and mix effects

EMEA	Q2 2019
Revenue	**119.6 mEUR**
Share of revenue	**46.2%**
Organic growth	**-1.5%**
Gross margin	**49.2%**

Americas

- Low growth in Americas
- Some degree of timing effect between Q1 and Q2 2019. Organic growth of 1.7% in H1
- Solid performance in LATAM and Canada, but negative growth in US
- Gross margin down by 0.6 percentage point due to tariffs and mix effects

Americas	Q2 2019
Revenue	**80.7 mEUR**
Share of revenue	**31.2%**
Organic growth	**0.4%**
Gross margin	**43.2%**

APAC

- Negative organic growth to a large extent driven by Australia
- Solid growth in Greater China region but lower than previous quarters
- Gross margin down by 1.5 percentage points due to low performance in the Pacific region as well as inventory provisions

APAC	Q2 2019
Revenue	**21.7 mEUR**
Share of revenue	**8.4%**
Organic growth	**-4.4%**
Gross margin	**41.5%**

Other business units

Consumer

- Challenging market conditions in the high pressure washer market throughout the high season
- Gross margin down by 3.3 percentage points impacted by slightly higher production unit cost and a change in the internal allocation of freight cost

Consumer	Q2 2019
Revenue	**23.3 mEUR**
Share of revenue	**9.0%**
Organic growth	**-25.8%**
Gross margin	**33.9%**

Private label

- Organic growth in line with expectations
- Gross margin up due to mix effects

Private label	Q2 2019
Revenue	**13.3 mEUR**
Share of revenue	**5.1%**
Organic growth	**-9.5%**
Gross margin	**24.1%**

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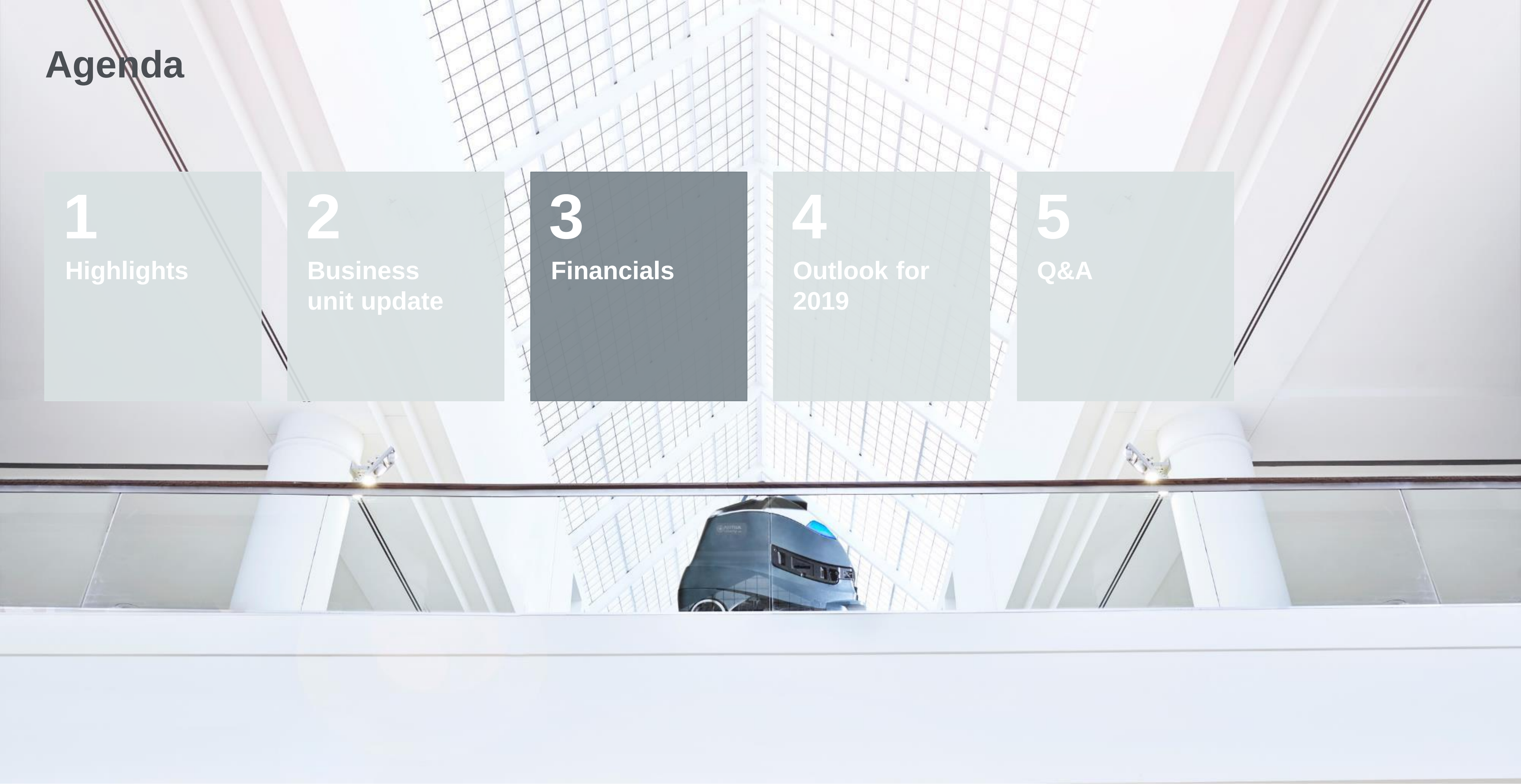
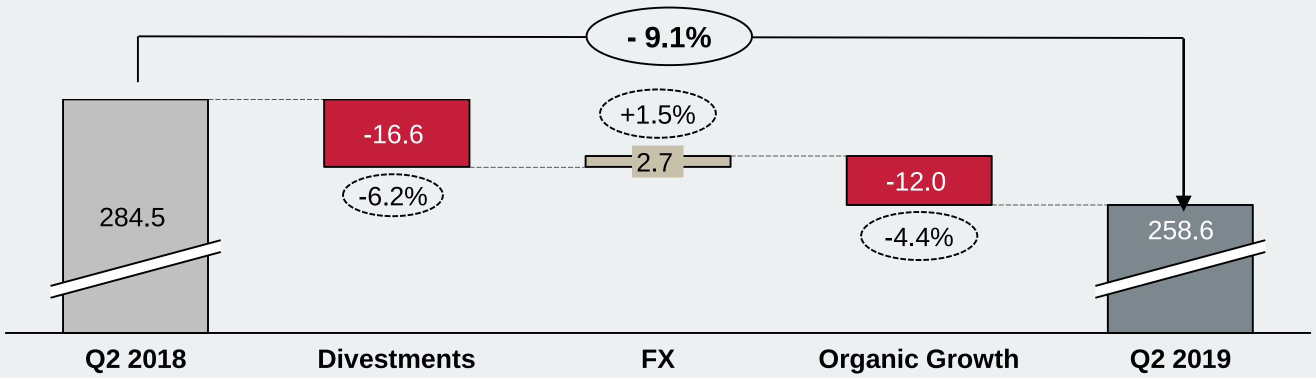
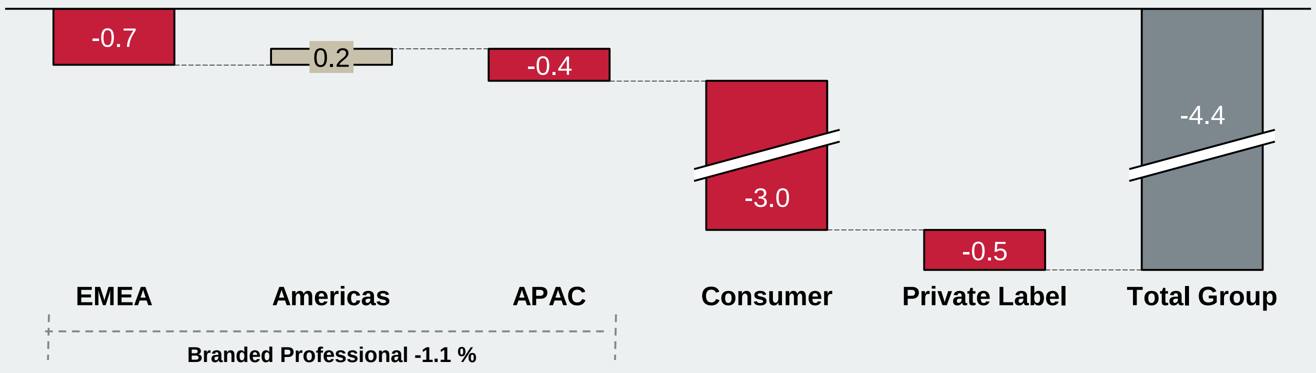


Revenue and organic growth development

Revenue, mEUR



Organic growth contribution, %



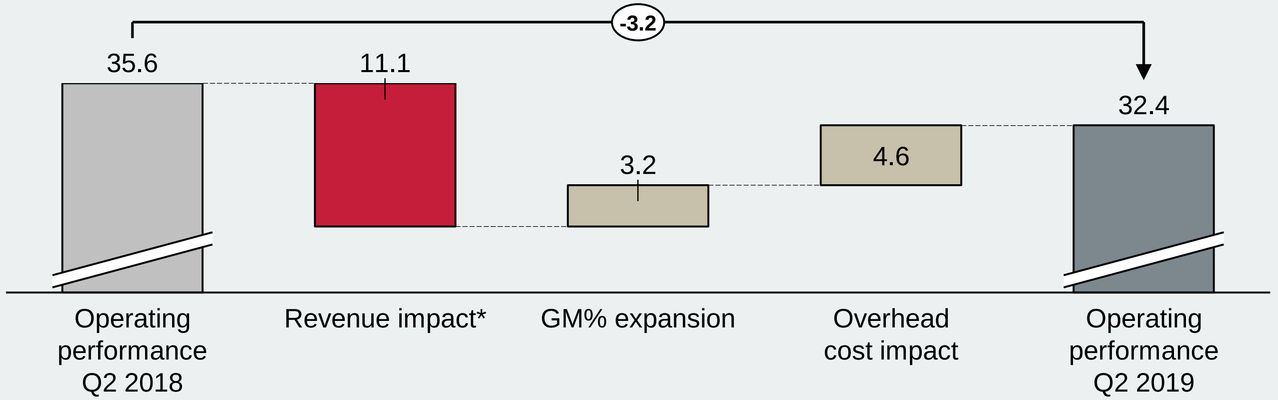
Comments

- Total reported revenue down by 9.1% vs. Q2 2018
  - Divestments impact of 6.2%
  - Positive impact from FX of 1.5% due to USD
  - Organic growth of -4.4% driven mainly by Consumer and EMEA

- Branded professional business down by 1.1% driven by EMEA and APAC
- Organic growth for the total business further negatively impacted by Private label and Consumer in particular

Operating performance

Operating performance contribution, mEUR



* Impact from revenue development assuming unchanged GM%

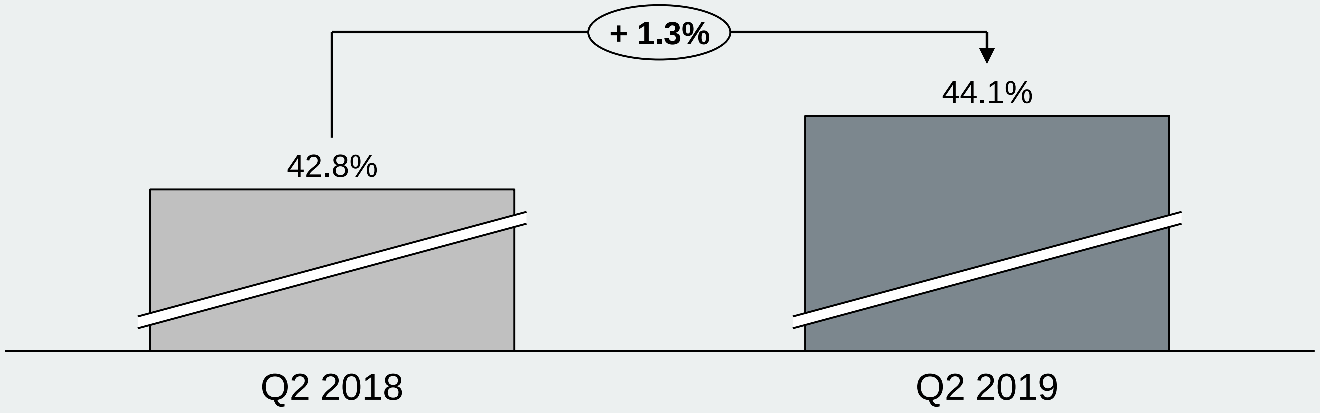
Operating margin development

Comments

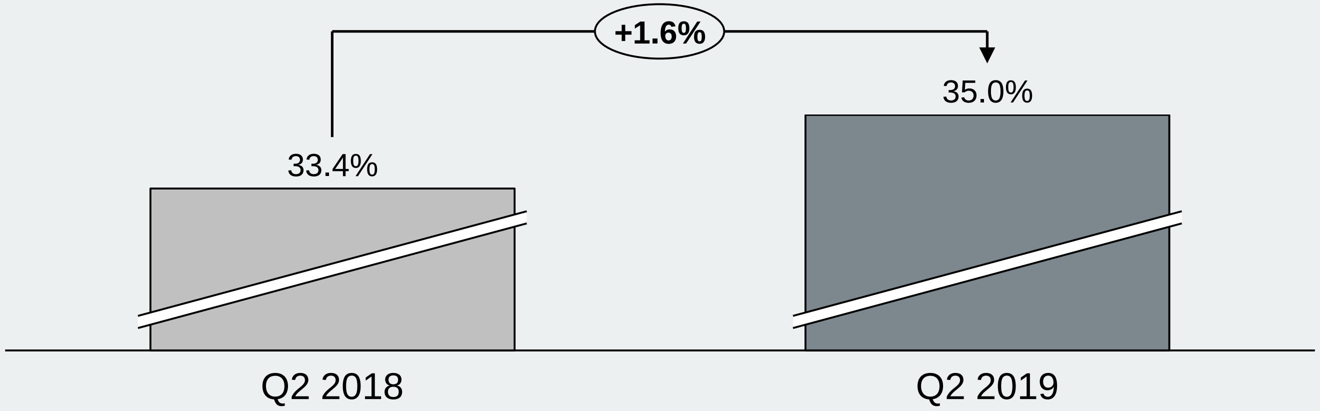
- Operating performance down by 3.2 mEUR driven by lower revenue
- Operating margin equal to last year at 12.5%
- Gross margin improvement off-set by higher operating cost ratio

Gross margin and overhead costs

Gross margin



Overhead costs ratio

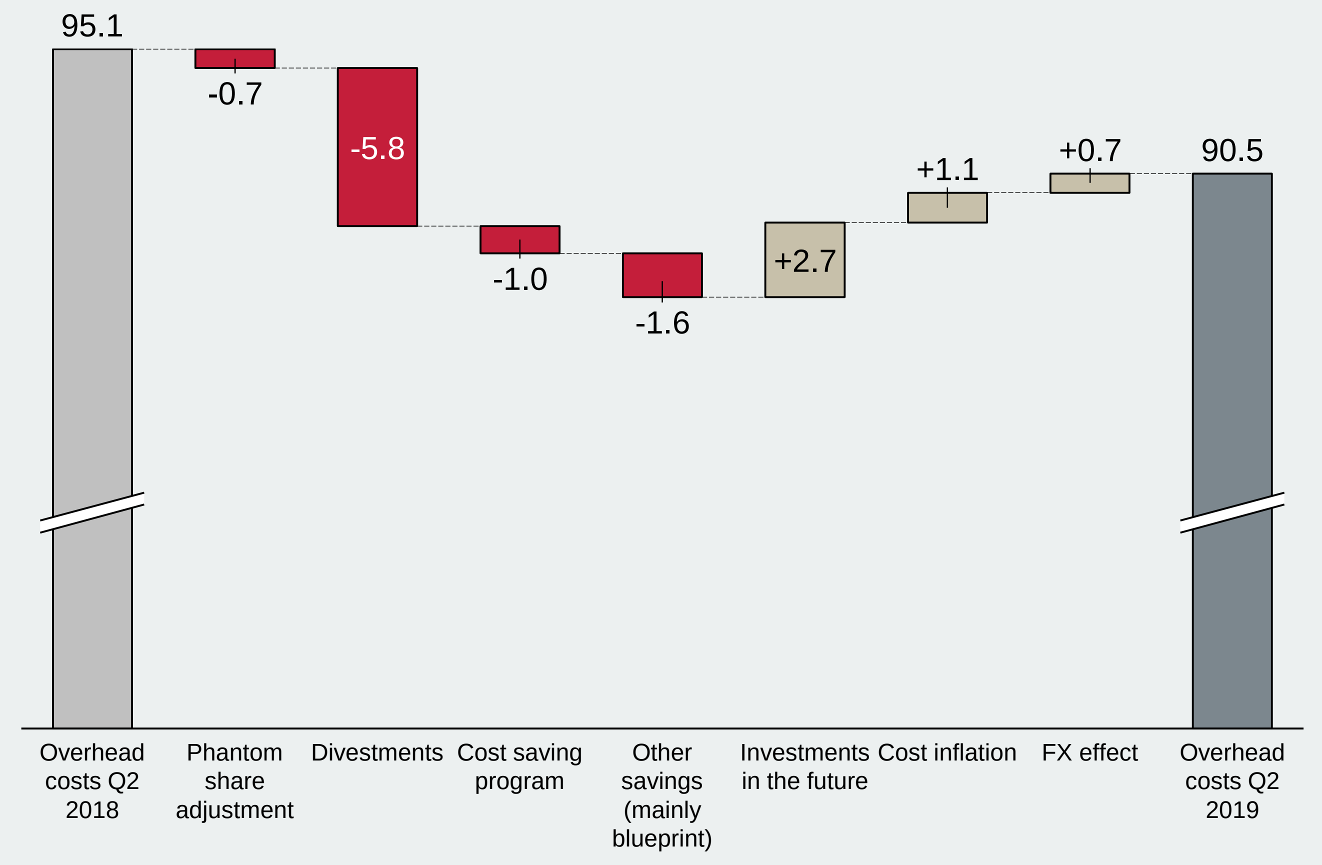


Comments

- Gross margin improvement of 1.3 percentage points driven by:
  - Simplification initiatives: divestments, production consolidation and pruning of product platforms
  - Procurement benefits
  - Pricing
  - Mix effects
  - One-off effect

  Partly off-set by:
  - Higher raw material prices and tariffs
- Overhead costs reduction of 4.6 mEUR driven by divestments and cost savings
- Lower revenue resulted in the overhead cost ratio increasing by 1.6 percentage points to 35.0%

Overhead cost development



Comments

- Significant cost base reduction driven by divestments
- Additional savings from cost saving program and blueprint roll-out
- Investments in the future mainly include:
  - Digital Services and Autonomous Solutions
  - IT support systems
  - Marketing and customer insights
- Negative FX effect mainly driven by USD

Balance sheet and cash flow

EUR million	Q2 2019	Q2 2018	Change
Inventories	184.1	199.6	-15.5
Receivables	238.2	249.6	-11.4
Payables	225.6	238.2	-12.6
Reported NWC	198.5	208.3	-9.8
12m NWC ratio	*19.7%*	*17.5%*	*2.2%*
CAPEX	12.4	13.0	-0.6
Tangibles	2.8	5.1	-2.3
Intangibles	9.6	7.9	1.7
Free cash flow	16.3	-1.3	17.6
RoCE	14.2%	14.7%	-0.5%
NIBD	453.5	380.4	73.1
Financial gearing	3.4 x	3.3 x	0.1

Comments

- NWC reduced by 9.8 mEUR mainly driven by divestments and consolidation of production footprint
- CAPEX slightly lower than last year
- LTM NWC ratio increased by 2.2 percentage points impacted by all three working capital elements
- Free cash flow up by 17.6 mEUR (10.6 mEUR net of positive IFRS 16 impact) driven by improvements in working capital
- RoCE negatively impacted by IFRS 16 (-0.7 percentage point). Underlying ratio improved by 0.2 percentage point driven by lower NWC and higher EBIT bsi
- NIBD up by 73.1 mEUR primarily driven by IFRS 16

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Outlook for 2019 maintained

Organic growth

Flat organic growth
In the **Nilfisk branded professional** business

-10% to **-15%**
Organic growth in the **consumer business**

Flat organic growth
In **Private label**

Approx. **-1.0%**
Organic growth in the **total business**

EBITDA margin

13.7% - 14.2%
EBITDA margin before special items
Incl. expected IFRS 16 impact of 2.7 percentage points

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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.