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Company announcement
October 16, 2019
Announcement No. 16/2019

Preliminary results for Q3 2019 and adjusted full-year guidance for 2019

Further weakening of the economic conditions mainly impacting the EMEA region and slower than expected realization of growth in the US lead us to adjust our financial guidance for 2019.

Preliminary results for Q3 2019
The preliminary financial results for Q3 2019 show revenues of approximately 228 mEUR corresponding to an organic growth for the branded professional business of approximately -4.7% and an organic growth for the total business of approximately -6.8%. The preliminary EBITDA margin before special items for Q3 2019 is 10.2% based on a gross margin of 41.5%. Excluding the positive effect from IFRS 16, the preliminary EBITDA margin before special items is 7.2%.

Organic growth:

	Q3 2019	**9M 2019**
EMEA	-7.0%	-1.0%
Americas	-1.1%	0.7%
APAC	-5.4%	-4.3%
Branded professional	**-4.7%**	**-1.1%**
Consumer	-9.2%	-15.5%
Private label	-28.8%	-15.4%
Total business	**-6.8%**	**-3.4%**

Full-year guidance for the branded professional business
We are adjusting our expectations to the full-year organic growth in the branded professional business to approximately -3.0% (previously: “flat”) mainly driven by the following:

- In Germany we experience a further slowdown in the market with a spillover effect to the neighboring countries closely linked to the German economy. In other EMEA countries, we see a continuous weakening of the industrial segment with indications of the slowdown spreading to other segments. In the UK we see a generally more cautious approach to investments.

- In Americas, our growth is below expectations driven by lower than expected growth in our US industrial business and our US high-pressure washer business.

Full-year guidance for the Private label business
We now see a significantly more cautious behavior from our private label customers. Consequently, we expect organic growth in the Private label business of -10% to -15% (previously: “flat”).

Impact on the EBITDA margin before special items
We continue to reduce overhead costs but are not able to fully compensate for the lower than expected revenue. In addition, the lower revenue impacts the gross margin due to lower capacity utilization in our production facilities. This leads us to lower our full-year guidance on the EBITDA margin before special items and excluding the impact from IFRS 16 to approximately 9.5% (previously 11.0% to 11.5%).

Updated full-year guidance for 2019
Based on the above, we adjust the full-year guidance for 2019 as follows:

	2018	Previous guidance (2019)	Current guidance (2019)	Status
Organic growth				
Branded professional	2.8%	Flat organic growth	Approximately -3.0%	Changed
Consumer	1.4%	-10.0% to -15.0%	-10.0% to -15.0%	Unchanged
Private Label	-12.9%	Flat organic growth	-10.0% to -15.0%	Changed
Total business	2.0%	Approximately -1.0%	Approximately -4.5%	Changed
EBITDA margin before special items*	11.5%	11.0% – 11.5%	Approximately 9.5%	Changed

* = The effect from IFRS 16 on the EBITDA margin before special items is expected to be positive by 2.9 percentage points, leading to a guidance of a reported EBITDA margin before special items of approximately 12.4%.

Mid-term targets

Following significant divestments, restructurings and investments during 2018 and 2019, we will continue to reduce costs and optimize operations, which will enable margin expansion. Growth is also a prerequisite for the targeted margin expansion, and we remain focused on our growth initiatives.

The recent changes in economic conditions, particularly in EMEA, have lowered our visibility in terms of the timing of achieving our growth targets in particular. Assuming a continuation of the current economic environment it is unlikely that the mid-term targets can be met in 2021.

We will provide guidance for 2020 in connection with the announcement of the annual report for 2019 on February 20, 2020 and provide an updated view on the timing of the realization of our mid-term targets when visibility of economic conditions improves.

The EBITDA margin target of 13-15% and organic growth target of 3-5% p.a. remains.

Comment
Commenting on the results, Hans Henrik Lund, CEO of Nilfisk, says:

“Q3 did not live up to our expectations. The market conditions in EMEA weakened further during the quarter and at the same time we were not able to deliver growth in Americas during Q3. Although the results in the US are materializing at a slower pace than we expected, we are confident in our plan and the actions we are taking”.

Conference call
Nilfisk will host a conference call today at 10.00 CET. Please visit investor.nilfisk.com to access the call. Presentation materials will be available on the website prior to the conference call.

To dial in:

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Conference ID: 9165904

Link to webcast: https://edge.media-server.com/mmc/p/irijcziy

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