

Company announcement

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Nilfisk reports Q1 2023 results: In line with company plan, outlook for 2023 confirmed

Nilfisk, a leading global provider of professional cleaning products and services, reported its Q1 2023 results today. Total revenue came to 256.4 mEUR for Q1 2023 and organic growth for the total business came to -2.0% in Q1 2023, compared to growth of 9.3% in Q1 2022.

The reduction in revenue was 7.8 mEUR and came from lower revenue in Consumer and the Private Label part of Professional, which in total declined by 13.4 mEUR. This was partly offset by strong growth in Service and Specialty and moderate growth in the branded part of Professional.

Gross margin reached 40.2% in the quarter, up from 40.0% in Q1 2022. Free cash flow improved significantly by 35.8 mEUR from Q1 2022 and came to 13.1 mEUR in the quarter. Investments into Business Plan 2026 continued in Q1 2023.

Commenting on the results, Torsten Türling, CEO of Nilfisk said:

"For the first quarter of 2023, Service and Specialty, performed well and delivered strong organic growth, benefiting from our continued strategic focus. The branded part of our Professional business also grew. But overall, the quarter was impacted negatively by the consequences of the economic slowdown, particularly in Europe, and to a lesser extent in North America, while APAC performed very well."

CEO Torsten Türling, continued:

"We continue to see a market slowdown in Europe, especially in the Consumer Business and the Private label part of the Professional Business. Growth within the branded part of Professional in Americas and EMEA remained muted due to supply bottlenecks within our plants in Americas. The demand for our Floorcare and VAC business remained solid across regions. Consequently, the order book remained elevated and was on the same level as in Q1 2022. Diligent pricing actions continued to positively impact profitability. As a result, the gross margin came to 40.2%, which is the best of our last five quarters."

The slightly lower revenue in combination with higher overhead costs led to an increase in the overhead cost ratio to 35.1% in Q1 2023 from 31.5% in Q1 2022. As a result, EBITDA margin before special items came to 11.0% Q1 2023 from 14.2% in Q1 2022.

The overhead cost ratio is expected to decline during 2023, as Business Plan 2026 cost efficiency measures begin to take effect. The underlying structural efficiency measures are being initiated. The aim is to enable strong long-term performance while harvesting substantial overhead costs savings.

As a result, overhead cost reductions are targeted of around 10 to 12 mEUR for the remaining part of 2023. The full year effects of the targeted cost reduction are expected to be around 15 to 18 mEUR. Special items in 2023 are expected to be in the range of 10 to 12 mEUR.

Q1 2023 results

- For the total business, revenue in Q1 2023 came to 256.4 mEUR, corresponding to negative organic growth of 2.0%.
- Revenue from Service, Specialty and the branded part of Professional grew but could not compensate for the decline in Consumer and the Private label part of Professional. Exit from Russia and FX headwinds also lowered revenue.
- The gross margin reached 40.2% in Q1 2023, compared to 40.0% in Q1 2022. The margin was positively impacted by price increases, tailored to mitigate external cost inflation on raw materials and labor rate increases.
- EBITDA before special items decreased by 9.5 mEUR in Q1 2023 compared to Q1 2022 and came to 28.1 mEUR, corresponding to an EBITDA margin before special items of 11.0%, compared to 14.2% in Q1 2022.
- Overhead costs in Q1 2023 grew by 6.8 mEUR compared to Q1 2022, coming to 89.9 mEUR. The increase was due to inflationary pressure including merit increases, freight costs, and investments in line with Business Plan 2026.
- Total R&D spend in Q1 2023 increased by 0.9 mEUR compared to Q1 2022 and came to 7.9 mEUR, corresponding to 3.1% of revenue compared to 2.6% in Q1 2022.
- Special items amounted to 2.2 mEUR compared to 4.8 mEUR in Q1 2022. The special items were mainly legal and advisory costs incurred regarding strategic projects related to the continued execution of Business Plan 2026.
- Free cash flow was 13.1 mEUR, an increase of 35.8 mEUR compared to Q1 2022 driven by lower working capital, including effects from factoring, only to a smaller extent offset by increased investments and higher financial expenses in the quarter.
- Net interest-bearing debt was lowered by 6.8 mEUR versus year-end 2022 from the decrease in working capital and stood at 317.9 mEUR. Compared to Q1 2022, net interest-bearing debt declined by 54.5 mEUR.
- The financial gearing at the end of Q1 2023 was 2.4 versus 2.6 a year ago.

Key figures

mEUR	Q1 2023	Q1 2022
Revenue	256.4	264.2
Organic growth	-2.0%	9.3%
Gross margin	40.2%	40.0%
Overhead cost ratio	35.1%	31.5%
EBITDA before special items	28.1	37.6
EBITDA margin before special items	11.0%	14.2%
CAPEX ratio	2.6%	2.0%
Free cash flow	13.1	-22.7
Financial gearing	2.4	2.6

Outlook for 2023

We confirm the full-year outlook as communicated in the Annual Report 2022. We expect that the current macroeconomic uncertainty will continue into 2023, leading to some volume decline, particularly in the European market.

The range for organic revenue growth is expected to be -2% to 2%. This is supported by full-year effects of pricing actions completed in 2022 and by a substantial order book at end-2022. Negative organic growth for the full year of 2023 would require a worsening of current trading conditions.

The range for the EBITDA margin before special items is expected to be 12% to 14%.

Conference call

Nilfisk will host a conference call today at 10:00 am CET. Presentation materials will be available on the website prior to the conference call.

Please pre-register no later than 9:55 for using the links below.

Webcast: <https://getvisualtv.net/stream/?nilfisk-q1-2023-ws7v6d7>

Phone conference:

<https://services.choruscall.it/DiamondPassRegistration/register?confirmationNumber=1608899&linkSecurityString=22f77d3de>

The video will be available for viewing after the event along with the presentation from the day on:

<https://investor.nilfisk.com/>

Contacts

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Forward-looking statements

Statements made about the future in this report reflect the Executive Management Board's current expectations with regard to future events and financial results. Statements about the future are by their nature subject to uncertainty, and the results achieved may therefore differ from expectations, due to economic and financial market developments, legislative and regulatory changes in markets that the Nilfisk Group operates in, development in product demand, competitive conditions, energy and raw material prices, and other risk factors. Nilfisk Holding A/S disclaims any liability to update or adjust statements about the future or the possible reasons for differences between actual and anticipated results except where required by legislation or other regulations.