

Company announcement (inside information)

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Nilfisk reports Q4 and FY 2023 results: In line with outlook despite a challenging climate

Nilfisk, a leading global provider of professional cleaning products and services, reported its 2023 results today with solid progress on most financial business metrics including significant gross margin expansion, very strong free cash flow, a visible reduction of NIBD and consequently also lower gearing.

Revenue was 1,033.6 mEUR, down from 1,069.5 mEUR in 2022. For Q4 2023, revenue was 252.9 mEUR, down from 270.3 mEUR in Q4 2022.

Organic growth for 2023 was -0.3%. The EBITDA margin before special items (bsi) was 12.8%. Both organic growth and the EBITDA margin bsi were in line with the narrowed outlook for 2023 provided on November 16, 2023. For Q4 2023, organic growth was -2.9%, while the EBITDA margin bsi reached 13.9%.

René Svendsen-Tune, CEO of Nilfisk comments on the financial results:

"Nilfisk delivered an acceptable set of results for 2023. Despite a challenging climate, we closed the year with significant progress on most of our financial business metrics. While we saw pockets of growth across the business, for example in LATAM and APAC, muted demand, particularly in North America, impacted the topline towards year end."

Nilfisk delivered a significant increase in gross margin for the year due to strong price management, favorable product mix, and lower freight costs offsetting the impact of lower volumes. The completed structural efficiency measures delivered the promised reduction of cost levels in 2023, creating a solid platform for 2024. Free cash flow more than doubled, while net debt was significantly reduced, and the gearing reached Nilfisk's target range.

The Service Business grew 5.5% organically, benefiting from strategic focus and solid demand. To accelerate the growth further in the years ahead, the Service Business has been more closely connected with the regions.

On the progress of Business Plan 2026, René Svendsen-Tune, CEO of Nilfisk says:

"Overall, we took important steps during 2023 to build a strong foundation that will act as a catalyst for the acceleration of Business Plan 2026 in the years ahead. An area that developed faster than planned is sustainability where we accelerated our efforts to reduce emissions and increase gender diversity. The progress with reducing Scope 1, 2, and Scope 3 greenhouse gas emissions took a solid leap forward in 2023 and we are on track to meet our 2030 science-based targets."

The commitment to Business Plan 2026 financial targets and 2030 sustainability targets has been confirmed. In addition, in 2023 Nilfisk revised its diversity target to align with new Danish legislation and increased its ambitions. The mid-term target is revised from 25% women in senior management by 2026 to 34% women in top management in 2026, while a longer-term target of equal representation in top management by 2030 was added.

Full-year 2023 financial highlights

- Organic growth at -0.3% in 2023, compared to 4.9% in 2022
- The gross margin reached 40.9% 2023, up from 39.5% in 2022
- Overhead costs amounted to 351.4 mEUR in 2023 up from 342.5 mEUR in 2022
- The overhead cost ratio increased to 34.0% in 2023 from 32.0% in 2022
- The EBITDA margin bsi amounted to 12.8% in 2023, compared with 13.2% in 2022
- Free cash flow improved to 115.2 mEUR in 2023, up by 60.7 mEUR from 54.5 mEUR in 2022
- Net interest-bearing debt was 252.2 mEUR at the end of 2023, a reduction of 72.5 mEUR from 2022
- Gearing at the end of 2023 was 1.9x versus 2.3x a year ago

Full-year 2023 sustainability highlights

- 16% reduction in Scope 1 and 2 greenhouse gas emissions achieved in 2023 compared to 2019 base year, versus a 10% reduction in 2022 from base year.
- 25% reduction in Scope 3 greenhouse gas emissions relating to the use of sold products achieved in 2023 compared to 2021 base year, versus an 11% reduction in 2022 from base year.
- 30% women in top management in 2023, an increase from 26% in 2022. New target of 34% by 2026 and equal representation (minimum 40/60) by 2030.
- 2023 Ecovadis Silver Medal, scoring 65 out of 100 points, 20 points above the average in our industry. This compares to 68 points in 2022.

Key figures (mEUR)	FY 2023	FY 2022	Q4 2023	Q4 2022
Revenue	1,033.6	1,069.5	252.9	270.3
Organic growth	-0.3%	4.9%	-2.9%	2.3%
Gross margin	40.9%	39.5%	41.8%	40.0%
Overhead costs	351.4	342.5	86.3	84.7
Overhead costs ratio	34.0%	32.0%	34.1%	31.3%
EBITDA before special items	132.4	140.8	35.1	39.5
EBITDA margin before special items	12.8%	13.2%	13.9%	14.6%
CAPEX ratio	3.0%	2.5%	4.3%	3.3%
Free cash flow	115.2	54.5	32.2	48.4
Net interest-bearing debt	252.2	324.7	252.2	324.7
Financial gearing	1.9	2.3	1.9	2.3

Organic growth was -0.3% for 2023. The Service Business delivered organic growth of 5.5%, while the Professional, Specialty and Consumer Businesses declined organically by 1.8%, 2.6% and 8.9% respectively.

The slowdown in EMEA during 2023 led to an organic decline in revenue of 2.5% for the year. However, the decline flattened in Q4 2023. The Central and Northern EMEA regions drove the decline while the Southern region remained relatively flat, primarily driven by the high-inflationary environment in Türkiye. Across EMEA, diligent price management mitigated part of the negative volume growth.

The slowdown also impacted Americas, which saw an organic growth of 1.4%. Growth was driven by LATAM that benefitted from both demand and price management. North America saw negative organic growth mostly from demand-driven volume decline, partly offset by price management.

For APAC, organic growth was strong at 8.3% in 2023, supported by demand in Australia, New Zealand, and China.

The continued improvement in gross margin was driven by strong price management to actively mitigate cost inflation on raw materials and labor rate increases, alongside the lower volumes. A favorable product mix and lower freight costs also benefited the margin.

Overhead costs increased by 8.9 mEUR compared to 2022, mainly from merit pay, inflation, and selected investments in Business Plan 2026. Overhead cost benefitted from the implementation of the structural efficiency improvements announced in the second quarter of 2023, which lowered the cost base in line with plans.

The overhead cost ratio increased, reflecting the revenue decline.

Special items amounted to 9.9 mEUR in 2023 and were consequently at the lower end of the expected range of 10-12 mEUR given in the Company Announcement 13/2023 on 17 May 2023. Special items were mainly redundancy and advisory costs incurred in connection with the continued execution of Business Plan 2026 alongside the implementation of structural efficiency measures.

Free cash flow improved by 60.7 mEUR compared to 2022, propelled by lower working capital, including an increased contribution from factoring of 12.6 mEUR.

Net interest-bearing debt was lowered by 72.5 mEUR from end 2022, mainly due to the decrease in net working capital. Gearing at the end of 2023 stood at 1.9x, down 0.4 compared to 2.3x at year-end 2022.

Outlook for 2024

We expect that both demand and output will pick up in 2024, leading to volume growth across products and services. The muted demand in North America that affected the second half of 2023 leads to some uncertainty.

The range for organic revenue growth is expected to be 3% to 6%, mainly supported by demand, increased output, a solid order book end-2023, and minor effects of pricing actions.

The range for EBITDA margin before special items is expected to be 13% to 15%. The EBITDA margin is expected to be supported by increased revenue, gross margin expansion, and the structural efficiency improvements realized in 2023.

CAPEX spend is expected around 4% of revenue with more than half directed towards product investments.

Special items are expected in the range from low to mid-single digit mEUR.

Given our ongoing initiatives and investments in structurally improving the business, our financial targets for 2026 are confirmed.

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 through the links below:

Webcast: <https://getvisualtv.net/stream/?nilfisk-fy-2023-ep4khznwj9>

Phone conference:

<https://services.choruscall.it/DiamondPassRegistration/register?confirmationNumber=2440897&linkSecurityString=4f3ca158a>

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

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

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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.