

**Company announcement**

August 20, 2020

Announcement No. 10/2020

**Nilfisk Q2 Interim Report 2020**

Nilfisk, a leading provider of professional cleaning products and services, is announcing its results for Q2 2020.

**Highlights for Q2 2020**

- COVID-19 negatively impacted customer demand in Q2, however with a month-over-month improvement
- There were significant variations in demand between markets and customer segments driven by the scope and timing of local lockdowns and re-openings
- Nilfisk posted revenue of 191.1 mEUR for the total business and 155.8 mEUR for the branded professional business in Q2 2020. This corresponds to organic growth of -24.9% for the total business and -29.4% for the branded professional business. Consumer had a strong quarter with organic growth of 21.1% while Private Label reported -18.5%
- We were able to serve our customers and all Nilfisk sites remained fully operational in Q2 with adjustments to capacity continuously through the quarter. The steep drop in demand led to lower capacity utilization at our production sites. This negatively affected the gross margin, which came to 39.9% down 4.0 percentage points compared to Q2 2019
- Strict cost control and government grants of approximately 5 mEUR resulted in a 19.7 mEUR reduction in the overhead cost compared to Q2 2019, down to 71.7 mEUR
- The restructuring plan announced May 15, that aims to lower structural costs by reducing approximately 250 full-time positions was executed according to plan in Q2. The majority of the restructure has now been carried out
- EBITDA before special items came to 21 mEUR, a reduction of 18.4 mEUR compared to last year. The EBITDA margin before special items was 11.0%, down 4.2 percentage points compared to Q2 2019 as a result of lower revenue
- Free cash flow for Q2 2020 improved by 14.0 mEUR to 30.3 mEUR due to lower working capital and lower CAPEX compared to Q2 2019
- Net interest-bearing debt was reduced by 47.1 mEUR compared to Q2 last year and came to 406.4 mEUR. Compared to Q1 2020 the reduction was 18.9 mEUR

- As mentioned in company announcement no. 7/2020, Nilfisk has obtained a back-up loan facility of 100 mEUR bringing total committed credit facilities to 550 mEUR

### **Outlook for 2020**

On March 19, our financial outlook for 2020 was suspended due to the global uncertainty caused by the COVID-19 pandemic, and the rapid development in the pandemic had a significant impact on demand in Q2. We have seen significant variations in demand patterns across different markets and customer segments.

Throughout Q2 we have seen sequential improvements in revenue growth with April organic growth at -32%, May at -28%, and June at -15%. Trading in July is in line with June. The development in the coming months is highly dependent on the COVID-19 development impacting our markets and customer segments. In addition, our industry is very dependent on the macroeconomic conditions which are currently facing unprecedented volatility.

In Q2 2020, strict cost control and government grants resulted in a significant reduction of overhead costs compared to Q2 2019. We do not expect government grants to continue beyond Q2. The low cost base of Q2 reflected a significant reduction of our activity level. As we adjust our business activities to the levels of future customer demand, cost run rates will be above the levels seen in Q2. Going forward our restructuring program launched at the end of Q2 will contribute to reduce cost run rates.

Accordingly, we are currently not able to give a meaningful assessment of revenues and profitability for the rest of the year. For this reason, the financial guidance for 2020 remains suspended.

### **CEO comment**

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

“In Q2, COVID-19 impacted customer demand negatively across the world. Even so, we were fully able to service our customers and have maintained our focus on the safety of our employees. In addition, we are pleased to see a noticeable improvement during the quarter with a month-over-month pick-up in demand. The macroeconomic development for rest of 2020 is, however, still highly uncertain and will influence the demand for cleaning equipment. We have responded swiftly to the crisis and managed to reduce overhead costs by close to 20 million euro during the quarter. Also, we have executed the larger part of our restructuring plan, which will have a positive impact on our structural costs going forward. With that and the continued high engagement across the organization, I believe we are well-positioned for what lies ahead.”



### **Conference call**

Nilfisk will host a conference call today at 10:00 CET. Please visit [investor.nilfisk.com](https://investor.nilfisk.com) to access the call. Presentation materials will be available on the website prior to the conference call.

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