

Company announcement

May 15, 2020

Announcement No. 6/2020

Nilfisk Q1 Interim Report 2020

Nilfisk, a leading provider of professional cleaning products and services, is announcing its results for Q1 2020.

Highlights for Q1 2020

- Q1 performance was in line with expectations up until mid-March. During the latter part of March, however, the COVID-19 outbreak had a significant negative impact on demand across most markets, which negatively impacted revenue
- In the branded professional business, revenue amounted to 185.8 mEUR in Q1 2020, corresponding to organic growth of -10.4%, significantly impacted by the COVID-19 outbreak in the latter part of March. EMEA delivered -6.8% organic growth largely impacted by low demand in the South European region. Americas posted -12.3% organic growth particularly due to a decline in demand in the US also negatively impacted by low demand in late March. In APAC, low activity in China in particular led to -25.0% organic growth
- The Consumer business performed above expectations during the quarter and posted organic growth of -0.7%, whereas Private Label performed as expected with organic growth of -21.8%
- For the business in total, revenue in Q1 2020 amounted to 219.1 mEUR compared to 246.6 mEUR in Q1 2019, leading to organic growth of -10.3%
- The gross margin was 42.8% in Q1 2020 compared to 42.9% in Q1 2019, positively impacted by mix effects following the exit of the Consumer business in the Pacific region in 2019 and lower raw material prices, which off-set the negative impact from US imposed tariffs and lower capacity utilization
- Overhead costs came to 85.6 mEUR, which is a reduction of 3.4 mEUR compared to Q1 2019 as a result of prudent cost control
- Due to lower revenue, the EBITDA margin before special items declined 1.9 percentage points compared to Q1 2019, ending at 11.4%
- In April, the first month of Q2 2020, an organic revenue drop of more than 30% was recorded
- To mitigate the negative impact of the COVID-19 outbreak, Nilfisk has implemented several measures to scale down production capacity and has taken a number of actions to reduce variable cost and capital expenditures. Additionally, Nilfisk is preparing a restructuring plan to adjust and structurally lower its cost base. Measures are intended to include a reduction in the workforce by an estimated 250 full-time positions globally, across functions and regions. Steps will be taken to initiate consultations with employee representatives and trade unions where required locally and will follow varying timelines in compliance with local regulations. The first reductions will be implemented in Q2 2020

Outlook for 2020

- As a consequence of the low visibility and high degree of uncertainty caused by the global COVID-19 outbreak, Nilfisk suspended its financial guidance for 2020 on March 19, 2020
- Visibility remains low and we are still unable to accurately assess the potential negative impact of the COVID-19 outbreak on our business. For this reason, our financial guidance for 2020 remains suspended

CEO comment

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

“As the COVID-19 outbreak escalated throughout the quarter, we implemented extensive safety measures across our business to protect our employees and continue servicing our customers. As a result, we have been able to continue our production, distribution and service activities throughout the crisis with little to no interruptions. Up until mid-March our financial performance was in line with expectations, despite lower-than-usual activity in China. Beginning in mid-March, we saw a steep decline in customer demand across most markets as restrictions in response to COVID-19 forced many customers to scale down or temporarily close their operations, except for vital institutions and businesses, consequently impacting our results. To sustain our position as a leading player in the industry and prepare for the post-COVID-19 market, where we see a strong potential in cleaning solutions, we will adapt our cost base which regretfully includes adjusting our workforce to the new situation.”

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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Link to webcast: <https://nilfisk.eventcdn.net/2020q1>

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