

Company announcement

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Nilfisk reports Q3 2023 results: Strong progress with most business metrics. Service growth intact, while soft demand negatively impacted Professional leading to an organic growth of -0.7%. EBITDA margin bsi improved to 12.6%.

Nilfisk, a leading global provider of professional cleaning products and services, reported its Q3 2023 results today with strong progress with most business metrics including gross margin, overhead costs, cash flow, NIBD, and gearing. Total revenue of 247.8 mEUR, down from 263.0 mEUR in Q3 2022. Total reported growth was -5.8%, of which 5.0%-points was driven by negative foreign exchange rate effects. Outlook for 2023 narrowed to middle of previous range.

René Svendsen-Tune, CEO of Nilfisk:

"For the third quarter of 2023, we delivered a set of results in line with our plans showing progress on gross margin and EBITDA margin bsi, lower overhead costs as well as strong improvements in free cash flow, our debt levels and gearing. The topline was impacted by soft demand, particularly for the products in our Professional Business, partly mitigated by price discipline. We saw pockets of growth across the business, for example in LATAM and Australasia, while North America and Europe were impacted by declining customer demand. Our strategically important Service Business continued its growth momentum, and we are satisfied to see that our Consumer Business is back to growth, supported by the return of underlying consumer demand."

- Organic growth declined 0.7% in Q3 2023, compared to growth of 5.4% in Q3 2022
- The gross margin reached 41.2% Q3 2023, up from 39.1% in Q3 2022
- Overhead costs declined to 86.5 mEUR in Q3 2023 from 89.1 mEUR in Q3 2022
- The overhead cost ratio increased to 34.9% in Q3 2023 from 33.9% in Q3 2022
- The EBITDA margin before special items increased to 12.6% in Q3 2023, up from 11.1% in Q3 2022
- Free cash flow improved to 29.8 mEUR in Q3 2023, up by 12.1 mEUR compared to Q3 2022
- Net interest-bearing debt was 271.1 mEUR at the end of Q3 2023, a reduction of 94.0 mEUR from Q3 2022
- Gearing at the end of Q3 2023 was 2.0x versus 2.7x a year ago
- Organic revenue growth for 2023 is expected to be around 0% (previously -2% to 2%) and the EBITDA margin bsi is expected around 13% (previously 12% to 14%).

René Svendsen-Tune, CEO:

"The gross margin continued to improve for the seventh consecutive quarter as the result of diligent actions to offset inflationary pressures and optimize our production. Our structural efficiency measures resulted in a reduction of our cost levels. As a result, the EBITDA margin bsi rose to 12.6% in Q3 2023 compared to 11.1% in Q3 2022.

We are very satisfied with our continued strong cash flow generation, and with the result of our efforts to reduce working capital and net interest-bearing debt levels. As a result of the continued decline in our debt, our gearing improved to 2.0x from 2.7x in Q3 2022 and is now within our longer term target range of 1.5-2.0x."

Key figures

mEUR	Q3 2023	Q3 2022
Revenue	247.8	263.0
Organic growth	-0.7%	5.4%
Gross margin	41.2%	39.1%
Overhead cost	86.5	89.1
Overhead cost ratio	34.9%	33.9%
EBITDA before special items	31.2	29.2
EBITDA margin before special items	12.6%	11.1%
CAPEX ratio	3.1%	2.2%
Free cash flow	29.8	17.7
Net interest-bearing debt	271.1	365.1
Financial gearing	2.0x	2.7x

Organic growth came to -0.7% for Q3 2023. Weak demand within the Professional and Specialty businesses resulted in negative organic growth of 1.9% and 12.2%, respectively. This was partly offset by growth from the Service and Consumer businesses, which delivered organic revenue growth of 2.9% and 6.6%, respectively.

The slowdown in Europe continued, leading to an organic decline in revenue in EMEA of 0.5%. In most markets within EMEA low demand was offset by dedicated price management, while Italy and Benelux saw declining topline. The economic slowdown also impacted growth in Americas, which saw an organic decline in revenue of 1.7%. Price management was not able to fully offset weakened demand in North America, while LATAM continued to see volume growth. APAC region delivered 2.3% organic growth, primarily driven by strong demand in Australia and New Zealand.

The continued improvement in gross margin was driven by price management, lower freight costs for overseas shipment, and product mix effects mitigating the negative impact of cost inflation, including labor and materials.

Overhead costs declined by 2.6 mEUR from Q3 2022 to 86.5 mEUR in Q3 2023. The level was also lower than in the first half of 2023. Overhead cost benefitted from the implementation of the structural efficiency improvements announced in Q2 2023.

In Q3 2023, 1.3 mEUR of special items were recorded in connection with the structural efficiency measures. For the first nine months, special items, net came to 7.5 mEUR.

The improvement in free cash flow to 29.8 mEUR compared to 17.7 mEUR in Q3 2022 was driven by lower working capital, including effects from factoring of 25.6 mEUR. Higher financial expenses after the realization of a 2-year interest cap instrument in Q2 2023 negatively impacted the free cash flow.

Net interest-bearing debt was lowered by 94.0 mEUR from Q3 2022, primarily driven by lower net working capital. Gearing at the end of Q3 2023 stood at 2.0x, down 0.7 compared to prior year, and well below the level of 2.3 at year-end 2022.

Outlook for 2023

With one quarter left of 2023, we are narrowing our outlook for the full year. We have factored in that the current macroeconomic uncertainty will continue for the remainder of 2023, leading to continued volume decline.

The expected organic revenue growth for 2023 is now around 0% (previously -2% to 2%).

The EBITDA margin before special items is expected to be around 13% (previously 12% to 14%).

	9M 2023 results	New FY 2023 outlook	Previous FY 2023 outlook*
Organic revenue growth	0.6%	Around 0%	-2 to 2%
EBITDA margin before special items	12.6%	Around 13%	12% to 14%

* Outlook given with Annual Report 2022

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-q3-2023-egfzqv3bn7>

Phone conference:

<https://services.choruscall.it/DiamondPassRegistration/register?confirmationNumber=8636699&linkSecurityString=cb70025e1>

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.