

Company announcement (INSIDE INFORMATION)

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Nilfisk reports fourth-quarter and full-year 2021 results

Nilfisk, a leading global provider of professional cleaning products and services, reported its 2021 results today. Commenting on the results, Torsten Türling, CEO of Nilfisk said:

"Nilfisk demonstrated a remarkable recovery in 2021, with organic revenue growth of 20.7% that outpaced the general market. We saw strong organic revenue growth and increased order intake growth across regions and business segments. This was driven primarily by strong execution in our key markets and an extraordinary effort from the entire organization to mitigate some of the supply chain limitations, we continue to face. At the same time, market demand for our products and solutions remains strong."

Full-year 2021 highlights

- Revenue for the total business amounted to 994.9 mEUR, corresponding to reported growth of 19.5% from prior year.
- EBITDA before special items amounted to 144.3 mEUR, an increase of 43.8 mEUR or 43.6%, primarily driven by the increase in revenue.
- Organic growth for the total business was 20.7%, exceeding the guidance for organic growth in the range of 17% to 18% provided in November 2021 but in line with the preliminary numbers announced on January 13, 2022. For each quarter of 2021, revenue grew from the same period in 2020.
- In the branded professional business, organic growth was 20.1% with strong demand and solid execution across all regions. Americas showed the strongest organic growth at 23.8%, while organic growth in Europe stood at 17.8%.
- Organic growth for Consumer was 12.8%, driven by solid commercial execution and increased household spending from continued interest in home improvements.
- Private label and other showed organic growth of 43.9%, driven by increased demand from key customers.
- Continued focus on cost management despite increased activity resulted in a very modest overhead cost growth of 1.5%, ending at 318.6 mEUR compared to 313.8 mEUR in 2020. The overhead cost ratio of 32.0% declined significantly from 37.7% in 2020.

- Revenue growth in combination with cost control resulted in an EBITDA margin before special items at 14.5%, a significant improvement from 12.1% in 2020.
- Special items declined to 4.4 mEUR in 2021 compared to 10.8 mEUR in 2020. The costs were mainly related to redundancy costs.
- Free cash flow stood at 58.5 mEUR compared to 73.5 mEUR in the previous year. The decline was primarily driven by a decision to secure parts and components in a disrupted supply market, which in turn led to an increase in inventories. This also led to an increase in working capital.

Key figures

mEUR	FY 2021	FY 2020	Q4 2021	Q4 2020
Revenue	994.9	832.9	260.6	220.2
Organic growth	20.7%	-11.5%	16.7%	-2.1%
Gross margin	40.5%	41.6%	38.8%	42.4%
EBITDA before special items	144.3	100.5	31.5	30.9
EBITDA margin before special items	14.5%	12.1%	12.1%	14.0%
Free cash flow excl. acquisitions and divestments	58.5	73.5	15.5	35.4
Financial gearing	2.3	3.8	2.3	3.8

Outlook for 2022

During 2021, demand for Nilfisk products and services rebounded and improved quarter over quarter across all markets and regions. As order intake surpassed sales growth, we ended 2021 with a solid order book for 2022. We expect demand to continue growing in 2022, although at a much slower pace. For 2022, we expect a continuation of the historically high freight costs and supply chain bottlenecks as well as further material cost increases resulting in above-normal uncertainty around the outlook for 2022.

- We expect our business in 2022 to generate an organic revenue growth in the range of 4% to 7% compared to 2021. We assume continued solid market demand, driven by the underlying mega trends for cleaning solutions. Revenue will also be supported by our recent price increases. The growth range is influenced by the continued supply chain uncertainties.
- In 2022, we plan to invest in our growth initiatives in line with revenue growth, while maintaining a prudent cost management principle. The gross margin is expected to be influenced by remaining high freight and raw material cost and the overall supply chain uncertainty. We expect an EBITDA margin before special items in the range of 13.5% to 15.5%.

Outlook 2022

Revenue growth	4% to 7%
EBITDA margin before special items	13.5% to 15.5%

Business Plan 2026

During the second half of 2021, Nilfisk undertook a rigorous strategy review. The purpose was to assess the value creation potential of different strategic levers and to decide on future strategic priorities. This process resulted in Business Plan 2026, which is focused on ensuring long-term sustainable growth through clear priorities and a detailed implementation plan.

Business Plan 2026 is centered around three strategic initiatives and two optimization opportunities identified as key to ensuring long-term sustainable growth.

Strategic priorities

- Develop service-as-a-business
- Grow in large-scale markets – initial focus on the US
- Lead with sustainable products

Optimization opportunities

- Optimize European leadership position
- Enhance Supply Chain robustness

These initiatives all build on the ambition to create value for our customers across markets and segments. CEO Torsten Türling comments:

"We have identified underutilized growth opportunities as well as how to overcome prior execution shortcomings. We are now building a powerful execution engine that will translate the strategic priorities into impactful implementation with clear metrics to track, and commitments to ambitious sustainability targets. Individually and combined, these priorities and optimization opportunities provide a strong platform for future value creation, for our customers and for Nilfisk."

Financial targets for 2026

The demand for cleaning is on a path towards long-term growth, driven by a fundamental need for hygiene to preserve health, safety, and overall well-being. Rising wage levels are driving the demand for equipment and services that enable labor productivity, and this demand is further fueled by labor shortages. In addition, we foresee tighter regulatory requirements for health and safety standards and a sharp increase in sustainability requirements. We expect that digital transformation will enhance our value proposition to customers and drive demand for Nilfisk products and services in the longer term.

- We expect our business to generate long term sustainable growth and to organically reach revenue between 1.2 bnEUR and 1.3 bnEUR in 2026. This assumes the continuation of the outlined positive market trends based on global economic growth and implementation of Business Plan 2026 initiatives. Acquisitions may become relevant medium-term, but they are not included in this revenue target.
- We expect EBITDA margin before special items to be above 16% no later than 2026, benefitting from targeted revenue growth and the implementation of Business Plan 2026 initiatives.
- CAPEX spend is expected in the range of 3% to 4% of revenue. After an initial investment phase in the first years, CAPEX will trend down towards the long-term sustainable level of 3% of sales. Cash flow is expected to improve substantially.
- Gearing, measured as net interest-bearing debt to EBITDA before special items, will be targeted in the range between 1.5x and 2.0x. This excludes financing of any potential M&A.

Target 2026

Revenue	1.2 bnEUR to 1.3 bnEUR
EBITDA margin before special items	Above 16%
CAPEX ratio	3% to 4%
Financial gearing	1.5 to 2.0

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, please use the following numbers:

Denmark: +45 3544 5577
UK: +44 3333 000804
US: +1 631 913 1422

Link to webcast: [Register for this event/day \(getvisualtv.net\)](https://www.getvisualtv.net)

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 the 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.

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