



Nederman Interim Report Q3 2020

CEO – Sven Kristensson
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Good margin development despite market challenges

Digital solutions display strength

- Incoming **orders** amounted to SEK 827m (965m), a currency-neutral decrease of 5.6% versus Q3 2019
- Compared with Q2 2020, incoming orders increased by 11.8%
- Net **sales** amounted to SEK 826m (1,089m), a currency-neutral decrease of 16.0% versus Q3 2019.
- Adjusted **operating profit** was SEK 63.5m (77.9m)
 - An adjusted **operating margin** of 7.7% (7.2%)
- **Net profit** was SEK 31.5m (52.8m).
- **Earnings per share** were SEK 0.90 (1.50).

- Incoming **orders** amounted to SEK 2,562m (3,028m), a currency-neutral decrease of 12.5%
- Net **sales** amounted to SEK 2,735m (3,221m), a currency-neutral decrease of 12.3%
- **Operating profit**, including restructuring costs of SEK 75m, was SEK 125m (235m)
- **Adjusted operating profit** was SEK 202m (236m)
 - An adjusted **operating margin** of 7.4% (7.3%)
- **Net profit** was SEK 55m (153m)
- **Earnings per share** were SEK 1.58 (4.37)

Key activities

- The division continued launching future-proof smart IoT filters enabling customers to optimise and control their air filtration
- System for the dental market was for the elimination of aerosols launched
- Further measures relating to costs implemented, significantly reducing expenses

COVID-19 restrictions had a major impact on demand in Europe and Americas

APAC had a positive trend

- In **Germany**, orders and sales declined
- Nordic demand declined with fewer project sales in **Denmark** and **Sweden** while **Norway** was in line with Q3 2019
- **UK** performance was weak though some improvement in solutions and service was seen
- **Netherlands** was affected less than most of Europe, and **Belgium** was in line with Q3 2019
- There was a drastic decline in all business activities in **France** and **Spain**
- In **Poland**, orders received declined with low project sales.
- A weak trend in most **distributor markets**, mainly related to the automotive industry
- In **North America**, orders received declined with lower project sales the main factor
- **Brazil** had a positive performance with a strong finish to Q3
- **APAC**, orders received grew organically for the second consecutive quarter
- **China** had positive growth and booked one larger order in September
- In **Australia** and **Southeast Asia**, performance was better than Q3 2019 with good order intake in **Vietnam** and **Thailand**

SEKm	Note	1 Jul-30 Sep		Currency-neutral		1 Jan-30 Sep		Currency-neutral		Full year 2019	Oct-Sep 12 months
		2020	2019	growth, %	Organic growth, %	2020	2019	growth, %	Organic growth, %		
Incoming orders - External		359.5	493.8	-20.2	-20.2	1,138.8	1,449.8	-18.6	-18.6	1,962.2	1,651.2
Total sales	2	356.5	484.8	-19.1	-19.1	1,211.8	1,419.9	-11.8	-11.8	1,940.2	1,732.1
Adjusted EBITA		48.6	61.2			156.1	185.9			263.2	233.4
Adjusted EBITA margin, %		13.6	12.6			12.9	13.1			13.6	13.5

Key activities

- Q3 focus has been on strengthening orders received to build a strong backlog, with the textile segment so far seeing most success
- Continued focus on cost control (expense down 35% vs Q3 2019) to secure profitability

Weak demand although some brightening in the market situation can be seen

- Generally for the division, orders for projects booked previously are now being executed, and moving into Q4, there is some optimism regarding certain areas of the market, though a large amount of uncertainty remains.
- **Textile segment** was challenging even before the COVID-19 pandemic, many spinning mills suspended production during the first half of 2020 but market is showing signs of recovery
 - Important Indian market impacted by extensive closures in Q3 – Nederman’s own plant had restrictions
 - Orders received in the quarter were clearly better than Q3 2019.
- As expected, the **foundry and smelter segment** had a weak performance during Q3
 - Low level of demand from the automotive industry
 - Increased activity was seen towards the end of Q3
 - Aftermarket sales increased, resulting in improvement in margins.

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		2020	2019	growth, %	Organic growth, %	2020	2019	growth, %	Organic growth, %		
Incoming orders - External		232.8	281.2	-7.4	-7.4	744.4	1,015.8	-24.4	-24.4	1,461.5	1,190.1
Total sales	2	266.1	418.6	-28.7	-28.7	874.8	1,273.3	-29.2	-29.2	1,633.3	1,234.8
Adjusted EBITA		14.0	21.5			49.0	76.3			101.6	74.3
Adjusted EBITA margin, %		5.3	5.1			5.6	6.0			6.2	6.0

Key activities

- Completed the restructuring programme to protect profitability and liquidity in all of the division's operations
- In the UK, work in preparation for a hard Brexit began in earnest

Development in the quarter

- In total, **Nordfab** reported negative growth compared with Q3 2019
 - In the **US**, sales declined versus Q3 2019, and continued to be affected by lockdowns and travel restrictions
 - Compared with Q2 2020, a slow recovery in sales was noted
 - In **Europe**, there was a clear decline in demand versus Q3 2019
 - Growth and profitability improvement in **Thailand** continued. Exports strengthened versus Q2 while domestic sales were only marginally impacted by the pandemic.
- Menardi**, had negative growth compared with Q3 2019
 - Sales in the **US** declined and difficulties in accessing customers' plants meant that several service replacements of large filter systems were postponed
 - In **Europe**, the order intake was in line with Q2 2020

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		2020	2019	growth, %	Organic growth, %	2020	2019	growth, %	Organic growth, %		
Incoming orders - External		92.1	135.4	-21.0	-21.0	301.4	384.6	-19.2	-19.2	473.5	390.3
Total sales	2	105.7	154.7	-20.8	-20.8	352.2	440.0	-17.4	-17.4	555.4	467.6
Adjusted EBITA		14.4	21.0			43.1	61.3			69.6	51.4
Adjusted EBITA margin, %		13.6	13.6			12.2	13.9			12.5	11.0

Key activities

- Largest Insight sale to date in the form of an order for 120 filter systems for a single plant in the US
 - The Insight technology, with monitoring and alarm functions, will be used for EPA reporting (meeting emissions reporting requirements of the US Environmental Protection Agency).
- Launch of smart filters continues – Most recently in conjunction with Extraction & Filtration Technology division

Strong organic and non-organic growth

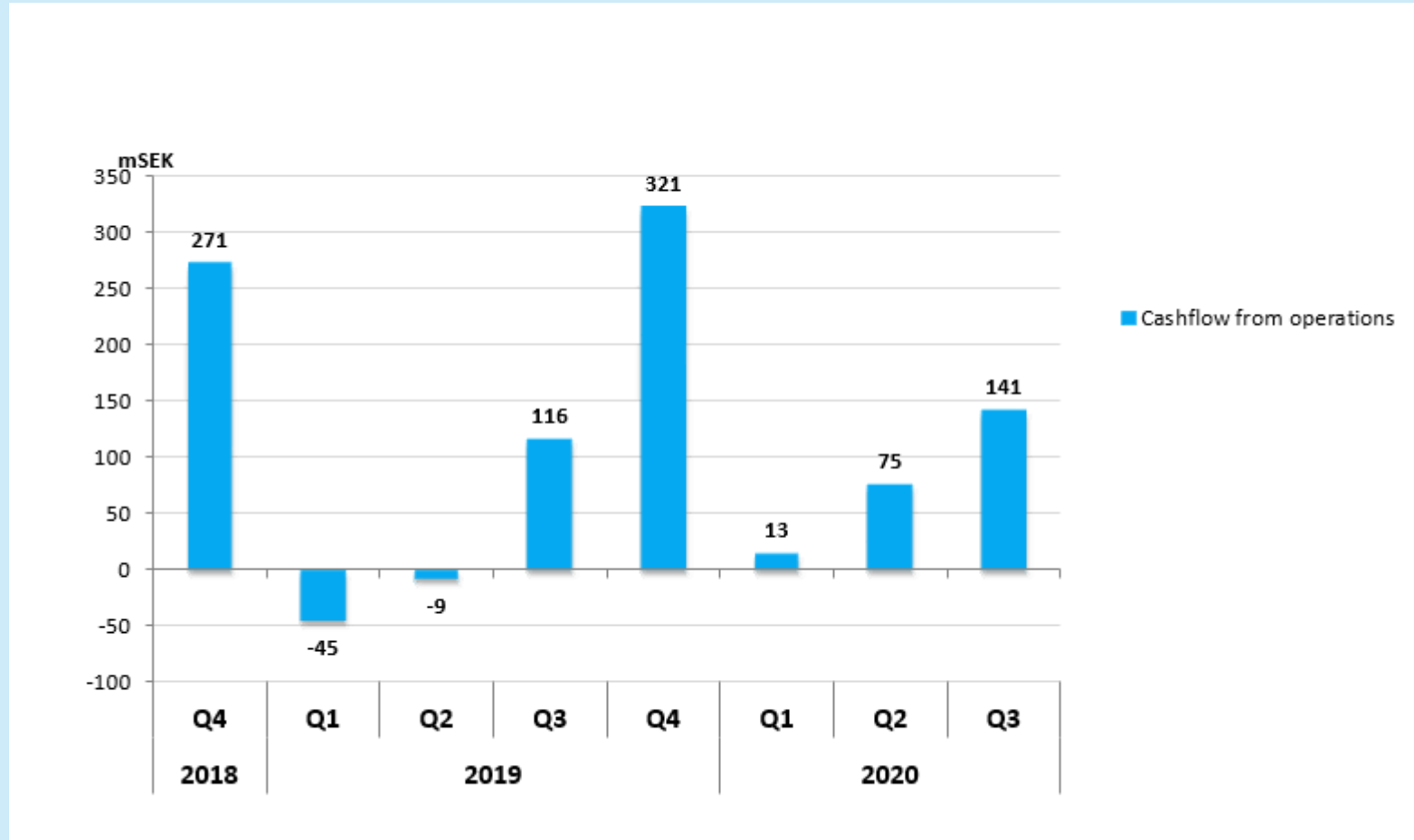
APAC particularly strong

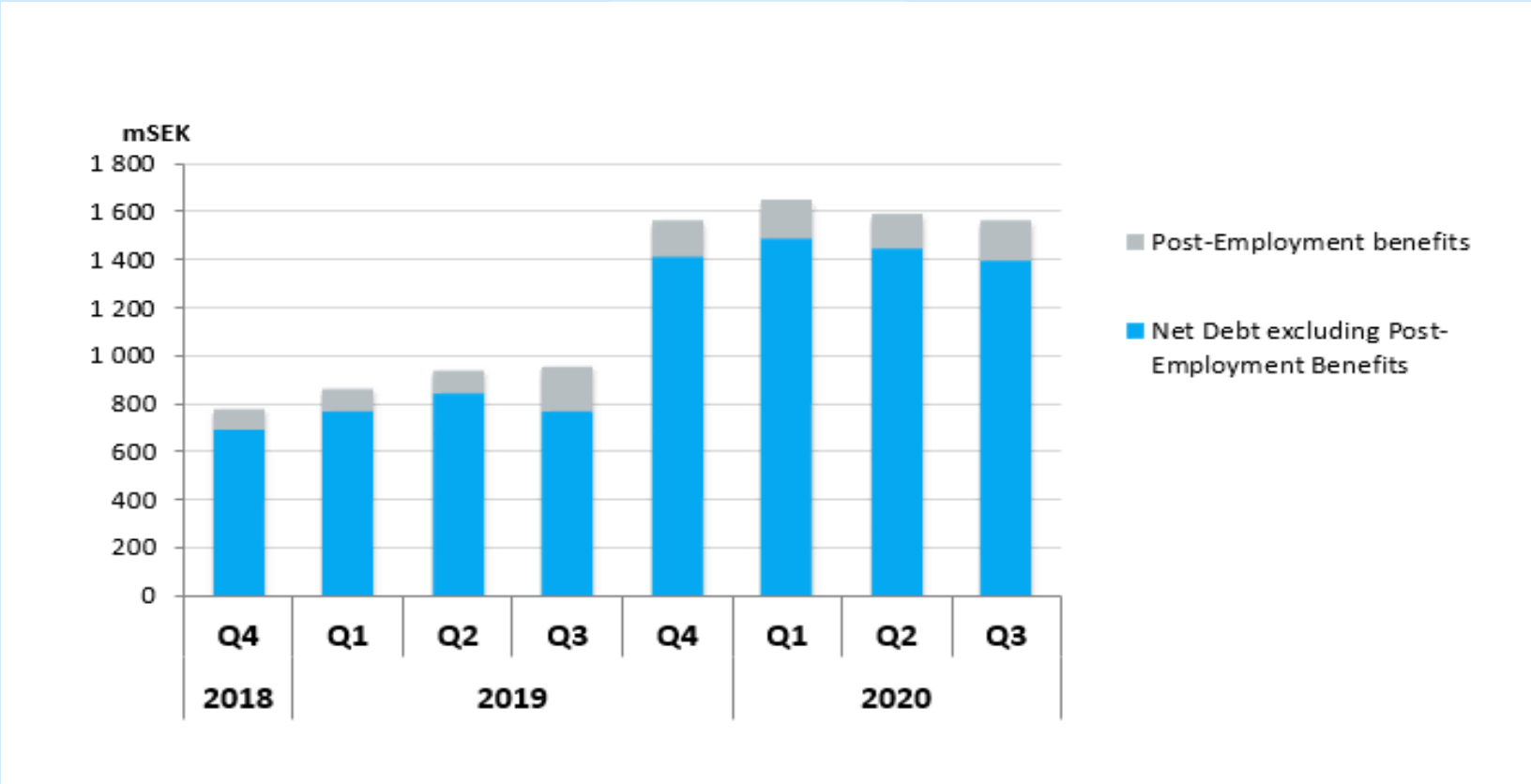
- Highest ever quarterly order intake for the division
- **APAC** remains the division’s strongest region, with significant growth in both orders received and sales.
- The positive trend from earlier quarters continues and indicates that APAC will lead the recovery after the COVID-19 pandemic.
- In **EMEA**, orders declined organically versus Q3 2019 but were in line with Q2 2020.
- In EMEA, the pandemic effects differed significantly between industries and countries
- In **Americas**, orders grew compared with Q3 2019 and Q2 2020
- The **US** is the dominant market in the region, and pandemic effects, as in Europe very segment specific

SEKm	Note	1 Jul-30 Sep		Currency-neutral growth, %		1 Jan-30 Sep		Currency-neutral growth, %		Full year 2019	Oct-Sep 12 months
		2020	2019	Organic growth, %	Organic growth, %	2020	2019	Organic growth, %	Organic growth, %		
Incoming orders - External		142.9	54.2	175.5	24.0	377.3	177.5	119.5	2.0	271.2	471.0
Total sales	2	115.3	56.2	115.0	4.0	354.8	165.7	121.7	7.7	280.3	469.4
Adjusted EBITA		22.4	1.5			60.5	12.0			44.6	93.1
Adjusted EBITA margin, %		19.4	2.7			17.1	7.2			15.9	19.8

	2020	1 Jul-30 Sep 2019	2020	1 Jan-30 Sep 2019	Full year 2019	Oct-Sep 12 mån
External order intake, SEKm						
Americas	226.0	351.7	810.1	1,009.0	1,292.3	1,093.4
EMEA	420.7	470.2	1,308.6	1,530.6	2,204.5	1,982.5
APAC	180.6	142.7	443.2	488.1	671.6	626.7
Total Nederman Group	827.3	964.6	2,561.9	3,027.7	4,168.4	3,702.6
	2020	1 Jul-30 Sep 2019	2020	1 Jan-30 Sep 2019	Full year 2019	Oct-Sep 12 mån
External net sales, SEKm						
Americas	245.9	374.5	865.9	1,050.6	1,380.4	1,195.7
EMEA	437.5	559.7	1,447.2	1,601.5	2,190.5	2,036.2
APAC	142.4	154.4	421.6	569.1	736.8	589.3
Total Nederman Group	825.8	1,088.6	2,734.7	3,221.2	4,307.7	3,821.2

Cash Flow from Operations: Cumulative





Extraction & Filtration Technology:

- COVID-19 restrictions having major impact in Europe and Americas
- Positive trend in APAC

Process Technology:

- Growth in Fibre and Textile, and APAC

Duct & Filter Technology:

- Negative growth overall but slow pick up seen

Monitoring & Control Technology:

- Strong order intake
- APAC performance strong

Nederman Group

- Good margin development
- Digital solutions displaying strength
- Growth in APAC, but Europe and Americas recovery is slower
- Solid cash flow

Outlook

There is currently extreme uncertainty regarding the development of the global economy.

During Q4 2020, Nederman expects the effects of the COVID-19 pandemic to remain considerable in most of the Group's markets.

We are doing our utmost to navigate successfully in a highly unpredictable time and have a high level of readiness to adapt our operations. A contributing factor to these difficulties is the major differences in COVID-19 restrictions between different countries. Prevailing regulations are often changed in one direction or another and the signs from authorities all over the world are often difficult to interpret from a long-term perspective.

Accordingly, it is currently not possible to provide detailed forecasts of developments in the coming quarters.

A positive effect of the lockdowns is that they have shown what the world looks like when the air is not polluted by industrial emissions. This is the world that Nederman is working to create by offering effective industrial air filtration instead of a paralysing pandemic. We demonstrate every day that this can be achieved, at every installation that we implement.

Financial Calendar

Year-end Report January-December 2020	February 12, 2021
Interim report January-March 2021	April 22, 2021
Annual General Meeting	April 26, 2021
Interim report January-June 2021	July 15, 2021
Interim report January-September 2021	October 22, 2021



The Clean Air Company

We protect people, production and
our planet from harmful effects of industrial processes

