

# Nederman Interim Report Q4 2019

CEO – Sven Kristensson  
CFO – Matthew Cusick



## Nederman Group, Q4 2019

Q4 2019 was a **very good quarter** for Nederman in terms of **orders received and operating cash flow**, though due to a number of larger orders being booked later than anticipated, the sales and consequently the **result for Q4 were somewhat behind expectations** and lower than the extremely strong Q4 2018

- Strong **organic growth in orders received** though development varied between regions
- **EMEA** posted very strong organic order intake growth in quarter, with growth in **APAC** as well, though in **Americas** growth was negative versus a strong Q4 2018
- Development and release of **new products** integrated into our digital solutions continues with Luwa's Digi 7

**Gasmet** Technologies Oy was acquired during December 2019, significantly strengthening Nederman's Monitoring and Control Technology division

# Gasmeter Technologies Oy

- In December 2019, Nederman acquired 100% of Gasmeter Technologies Oy
- Gasmeter is a world leading supplier of FTIR (Fourier Transform Infra-red Spectroscopy) gas analysis solutions for continuous emission and mercury monitoring systems, and portable gas analysers
- Gasmeter develops, manufactures and markets complete solutions for monitoring industrial emissions and portable instruments to study climate change and ensure people's safety

## **Gasmeter in short:**

- Based in Helsinki, Finland
- Subsidiaries in Germany, UK, Canada, Hong Kong and Austria
- A strong international reputation for innovative, customer-driven and reliable gas analysis solutions.
- Approximately 120 employees globally
- Sales 2018 > EUR 21 million
- Acquisition price SEK 509 million
- More than 4000 analysers installed worldwide in approximately 80 countries
- Now part of Nederman's Monitoring & Control Technology division
- Technology highly complementary to that of both Neo Monitors and Auburn FilterSense
- Gasmeter technology being integrated into Nederman's solutions and Nederman Insight application and digital Ecosystem

## Nederman Group Financials - Q4 2019

- Incoming orders were SEK 1,141m (968), which currency adjusted is an increase of 18.1% compared with Q4 2018
- Net sales were SEK 1,087m (1,069), which currency adjusted is an increase of 1.8% compared with Q4 2018
- Adjusted operating profit was SEK 113m (129)\*, giving an adjusted operating margin of 10.4% (12.1%)\*
- Operating profit was SEK 109m (120)\*, giving an operating margin of 10.0% (11.2%)\*
- Net profit was SEK 72.4m (89.4)\*
- Earnings per share were SEK 2.06 kr (2.55)\*

\* In the transition to IFRS 16, the Group has applied a retroactive method, which means that the figures for the 2018 financial year have been restated in accordance with the new standard.

## Nederman Group Financials: Full Year 2019

- Incoming orders totaled SEK 4,168m (3,479), which currency adjusted is an increase of 15.2%
- Net sales totaled SEK 4,308m (3,554), which currency adjusted is an increase of 16.6%
- Adjusted operating profit was SEK 349m (319)\*, giving an adjusted operating margin of 8.1% (9.0%)
- Operating profit was SEK 343m (306)\*, giving an operating margin of 8.0% (8.6%)\*
- Net profit was SEK 226m (203)\*
- Earnings per share were SEK 6.43 (5.78)\*
- The Board proposes a dividend of SEK 2.50 (2.30) per share

\* In the transition to IFRS 16, the Group has applied a retroactive method, which means that the figures for the 2018 financial year have been restated in accordance with the new standard.

## Nederman Extraction & Filtration Technology, Q4 2019

*Orders received declined slightly during Q4 due to fewer orders of larger systems. Sales increased and order backlog at the end of 2019 is higher than at the end of 2018.*

- Many countries in EMEA showed a positive trend during the quarter:
  - The **Nordic** region saw strong sales growth, and orders were in line with Q4 2018
  - In the **UK**, orders received again increased mainly due to continued demand for solutions in the welding segment
  - In general, **Southern Europe** had good sales growth in Q4, while orders received varied between countries
  - **Poland** had a very strong end to 2019 following positive developments in several market segments
  - In **Germany** however, orders received decline due mainly to lower demand for larger systems
- In **North America**, total orders received declined very slightly, though three larger orders were registered in Q4
- **Distributor markets** had a weaker quarter, mainly due to lower activity in the automotive and engineering industries
- In **APAC** orders received were slightly behind Q4 2018

SEKm	Note	1 Oct-31 Dec 2019	1 Jan-31 Dec 2019
Incoming orders - external		512.4	1,962.2
Total sales	1	520.3	1,940.2
Adjusted EBITA		77.3	263.2
Adjusted EBITA margin, %		14.9	13.6

## Nederman Process Technology, Q4 2019

*A very strong quarter in terms of orders received though a large share of the orders were received at the end of the quarter, which meant that they could not be converted into sales before the year end.*

- Several major projects were booked and profitability improved due to a favourable mix in project sales
- In **EMEA**, a major larger smelter order of approx. SEK 50m was booked. There was also strong demand from the asphalt industry
- Uncertainty and investment caution remains in **North America** and **APAC** and several anticipated orders have been postponed
- The **textile segment** remains relatively weak with overcapacity, though one large and a number of smaller orders were received
- During the quarter, Luwa **launched Digi 7**, the next generation of its control system for air filtration in the textile industry including cloud-based services with monitoring and control

SEKm	Note	1 Oct-31 Dec 2019	1 Jan-31 Dec 2019
Incoming orders - external		445.7	1,461.5
Total sales	1	360.0	1,633.3
Adjusted EBITA		25.3	101.6
Adjusted EBITA margin, %		7.0	6.2

# Nederman Duct & Filter Technology, Q4 2019

*Following three positive quarters in 2019, the division had a weaker end to the year*

- **Nordfab**, which sells various types of pipe systems, had a weak fourth quarter:
  - The foremost explanation for this is internal operational problems following the implementation of a new ERP system in the **USA**, which led to significant delivery disruption
  - The problems should be resolved in Q1 2020, and the new system will contribute to efficiency enhancements
  - Nordfab continues to expand its network of resellers, which led to a positive development in **EMEA** and **APAC** during the quarter
- **Menardi**, which sells the division's filter solutions:
  - Continued to see customers in **North America** postponing decisions on larger investments.
  - In **EMEA**, Menardi grew well in comparison with Q4 2018.

<b>SEKm</b>	<b>Note</b>	<b>1 Oct-31 Dec 2019</b>	<b>1 Jan-31 Dec 2019</b>
Incoming orders - external		88.9	473.5
Total sales	1	115.4	555.4
Adjusted EBITA		8.3	69.6
Adjusted EBITA margin, %		7.2	12.5

## Nederman Monitoring & Control Technology, Q4 2019

*In Q4 the division posted double-digit organic growth in order intake. Most significant in the quarter was the acquisition of Finnish based Gasmot Technologies Oy.*

- The division displayed **strong organic growth** during Q4 and Neo Monitors was particularly strong.
- Due to good invoicing combined with some contribution from Gasmot, the division's **profitability improved**.
- On 1 January 2020, Ketil Gorm Paulsen took up the position of SVP, Head of Division Monitoring & Control Technology. Ketil was formerly Managing Director of Neo Monitors.

SEKm	Note	1 Oct-31 Dec 2019	1 Jan-31 Dec 2019
Incoming orders - external		93.7	271.2
Total sales	1	114.6	280.3
Adjusted EBITA		32.6	44.6
Adjusted EBITA margin, %		28.4	15.9

# Regions, Q4 2019

Americas									
SEKm	Note	1 Oct-31 Dec		Currency-neutral	Organic	1 Jan-31 Dec		Currency-neutral	Organic
		2019	2018	growth, %	growth, %	2019	2018	growth, %	growth, %
Incoming orders - external		283.3	327.0	-9.6	-12.4	1,292.3	1,259.6	-5.0	-7.1
External net sales	1	329.8	339.3	-0.1	-1.5	1,380.4	1,246.8	2.6	-0.6
Adjusted operating profit*		26.0	40.8			128.6	123.1		
Adjusted operating margin, %*		7.9	12.0			9.3	9.9		

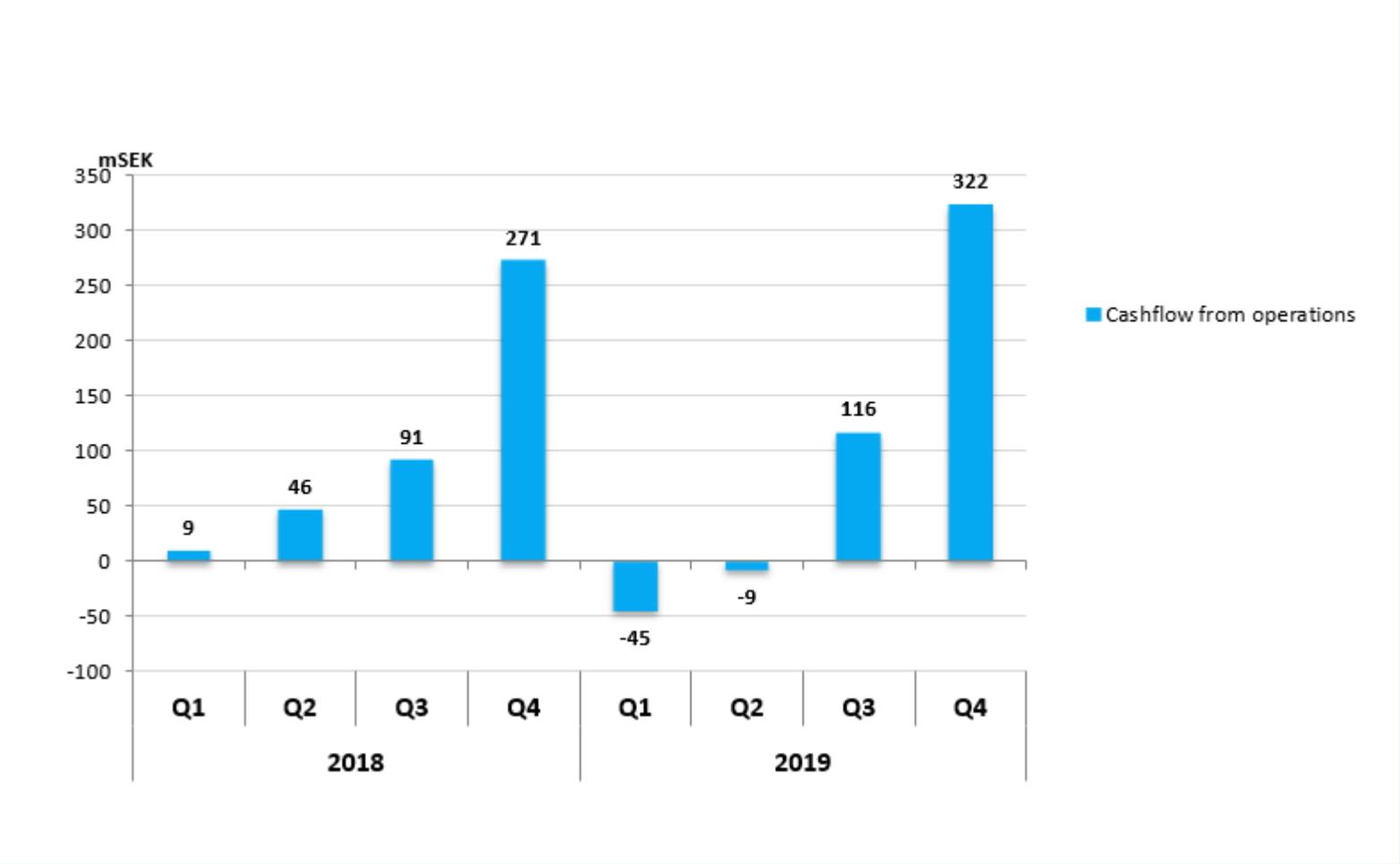
  

EMEA									
SEKm	Note	1 Oct-31 Dec		Currency-neutral	Organic	1 Jan-31 Dec		Currency-neutral	Organic
		2019	2018	growth, %	growth, %	2019	2018	growth, %	growth, %
Incoming orders - external		673.9	468.5	42.9	36.6	2,204.5	1,731.6	24.9	15.3
External net sales	1	589.0	524.2	11.9	5.4	2,190.5	1,768.3	21.6	4.9
Adjusted operating profit*		99.1	95.3			310.6	266.2		
Adjusted operating margin, %*		16.8	18.2			14.2	15.1		

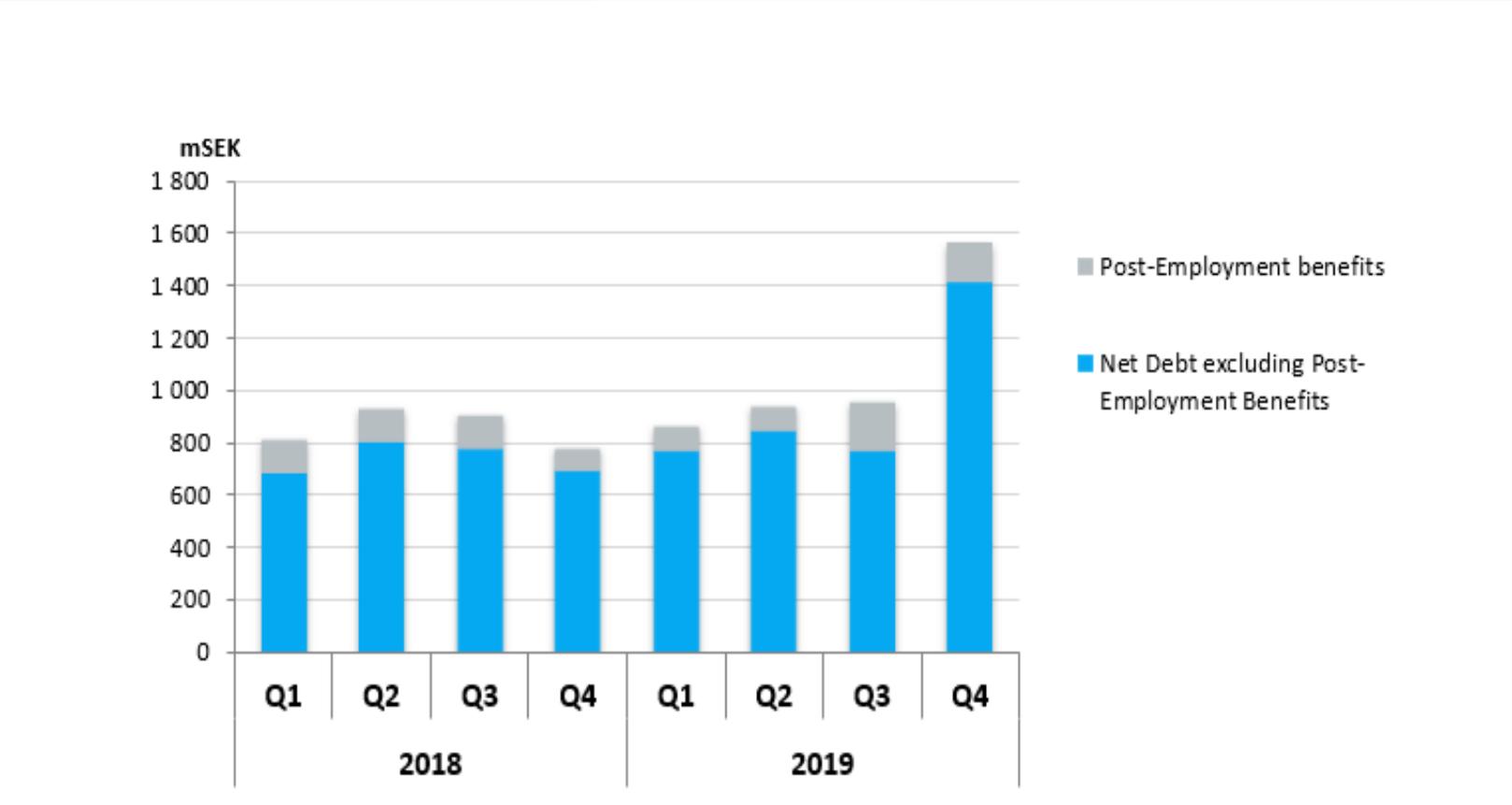
  

APAC									
SEKm	Note	1 Oct-31 Dec		Currency-neutral	Organic	1 Jan-31 Dec		Currency-neutral	Organic
		2019	2018	growth, %	growth, %	2019	2018	growth, %	growth, %
Incoming orders - external		183.5	172.3	3.1	-11.6	671.6	488.3	33.1	-15.0
External net sales	1	167.7	205.5	-20.8	-33.7	736.8	538.8	32.8	-22.2
Adjusted operating profit*		17.6	17.1			33.2	18.3		
Adjusted operating margin, %*		10.5	8.3			4.5	3.4		

# Cash Flow from Operations



# Net Debt



## Summary Q4

### **Extraction & Filtration Technology:**

- Strong profitability though a slight decline in orders versus a high Q4 2018

### **Process Technology:**

- Excellent order intake at end of Q4 though sales behind earlier expectations

### **Duct & Filter Technology:**

- A weaker end to the year with operational difficulties which are now starting to be resolved

### **Monitoring & Control Technology:**

- Good organic growth and profitability development
- Key Gasmot acquisition completed

### **Nederman Group:**

- Very strong order intake but a result somewhat behind expectations
- Significant strengthening of the Monitoring & Control Technology division

# Outlook

Many of Nederman's markets including the US and China, and recently also to some extent Germany, are still characterised by **uncertainty**.

The **corona virus** outbreak in China has added further uncertainty though it is too early to accurately assess the impact on Nederman's sales and operations.

Despite Nederman's strong Q4, decisions on major investments are still being delayed, resulting in considerable **volatility in orders received**.

Despite the challenges above, Nederman's basic view remains one of **cautious optimism** - Environmental issues will remain important for our customers, and that can be expected to soften the effects of a weaker economy, and the Group continues to strengthen its positions in several key areas where future growth will occur.

# Financial Calendar 2020

Interim Report January-March 2020

April 21, 2020

Annual General Meeting

April 27, 2020

Interim Report January-June 2020

July 14, 2020



# The Clean Air Company

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

