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NLFSK.CO - Q2 2018 Nilfisk Holding A/S Earnings Call

EVENT DATE/TIME: AUGUST 14, 2018 / 8:00AM GMT

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PRESENTATION

Hans Henrik Lund *- Nilfisk - CEO*

Good morning to everyone and thank you for joining us for the Q2 announcement. As always Karina and I are very happy to walk you through the quarter and we're doing it the same way we always do, go through the highlights, go through the business unit updates. And then Karina will walk you through the detailed financials, and we are now for the Q and A.

So the headlines for us is that it was a strong financial quarter in Q2. We had successful growth in four out of our five segments with a 5.8 total for the group. We keep improving our gross profit. You will remember that we left '17 with 42.2. We delivered 42.4 in Q1. And we are now delivering 42.8, exactly as we had indicated after '17, that those improvements would keep coming. I'm very happy with that. And all in all it leads to a strong performance of 12.5 earnings, EBITDA growth before special items.

On the cost savings program we operated at after Q1 from 35 million to 50. We are still on track to deliver the 50. I am very confident with that. And we will see some of that taken into the second half as well, so all in all on plan. And Karina will give you more details on it later.

And then finally of course we are reiterating our guidance for the year [3% to 4%] organic growth and [11.5] to 12 on EDITBA before special items. So those are sort of the financial highlights.

Then we are working hard to simplify the business and that's on plan as well. We have a few highlights for you.

Number one, we announced so far with the [outdoor] strategic review that we expected to be concluded within this quarter, Q3. We have initiated another strategic review of our restoration business in US. Most of you know that it's a 15 million revenue in business where we do restoration of carpets based on truck-mounted stuff, so we've gotten into a strategic review of that and we also expect to conclude that duringn Q3. So good traction on delivering to what we have promised.

On the product pruning it's now fully in execution. We are going for the 40% of the platforms. We will have it done by year end. There's a last buy opportunity for some of the sales companies at the moment and then it's out of our hands and done by the end of year, so positive as well to our expectations.

As you've heard also, we've redefined our dealer tier structure in the US where we had too many small ones. We executed a situation where 1,600 dealers are now in service through our [low touch] program, rather than being visited by us. I am happy to see that is going well. And we are not seeing any decline in the revenue based on that move. And it frees up some more resources for us to serve it more effectively. So all in all, the simplification plan is on track as well.

If we then dive into each businesses, starting with EMEA, 4.8%, a very respectable growth in Q2, and I am most happy to talk about Germany because we've talked about it previously that Germany was a bit of a low-growth situation for us which is painful. However, they came in with double digit growth in Q2, so they are back in business.

I have a very confident GM of Germany at the moment. He's been helping with some of the overhang of deliveries from Q1, so we need to see some more quarters for us to be completely convinced that we are back in business, but it looks very promising in Germany.

We also happen to know that when Germany is going well and France is going well and it is, then we have a good performance in EMEA. So both countries are doing really well, supported by other things like Eastern Europe, Spain and the private label business.

If we go to the other side of the fence UK, we hear a lot about Brexit uncertainty. There were big deals that, they were expected to come, they didn't come in first half. So that's where we are spending a bit more time to understand what's the outlook for UK. But again, I am very positive that Germany and France are doing well.

Again, margin is up, 43.2, good to see that as well and up 1.4% compared to Q1. Then we've done an acquisition in the southern part of France where we've acquired a dealer focusing on contract cleaners, so we are building an even stronger foothold down the south of France which is really positive.

When I go through these numbers I have to say I want to send a small greeting to (inaudible) that left the company because [Jonas] was the one that delivered these numbers. And that was well done by Jonas. We now have (inaudible) who will join us September 1st and he's already to go, and we are looking forward to see where that goes, so all in all Q2, thank you, [Jonas], for that.

Then let's talk about Americas. The headline says it all. We were not happy with, for the Americas in Q2.

If I should find a positive spot, I would say in Q1 we had negative growth and we were flat in Q2, so at least we improved over Q1. However, of course not in this market, not growing in Americas is not where we want to be and it's (inaudible).

We are still being hit by, as you know, one of our last dealers who [converted] and sold their business to a private label and it's hard to catch that additional revenue for us. Then of course when you get hit by one you get hit by two. Then we've seen some of our business trends move more towards industrial floor care which is in itself is good. However, there are longer lead times on that equipment. And that means that the revenue was not in Q2.

And there's some timing on top of it and then finally we are seeing a slowdown in retail and governmental. So it's not a happy picture for it in Q2.

We are still seeing a strong demand and pipeline from strategic accounts which is good. That's the growth plan that we have benefited from all along. Margins are okay and they are up, which is good as well. And then we are fundamentally dealing with, as we talk about, the dealer structure and making it much more efficient such as that will also be positive.

And I know of course what you are asking, you are asking, okay, what's going to happen in the second half. And I want to just say that on the second half we are cautiously optimistic. We will do it better than we did in the first half, and I think I want to keep it with that for now, but not a happy situation in Q2.

Then APAC, reasonable, well done, we are doing a lot of changes on leadership positions in APAC [Sava] is doing all the right things. We've changed the GM in India, in Singapore, in Japan and in Australia, so delivering a growth of 2.2%. Under those circumstances it's acceptable to me.

Most important, China is still going strong, double digits, close to, yes, but a bit above 20% growth, really. And I foresee that within a year or one-half China is the biggest market for us in that region, so reasonable momentum, good result given the changes that we've gone through, and we are very confident that the positive development will continue.

Then Specialty Professional, exceptional growth, and I think that's was it was. We told you after that after Q1 that we thought Q1 was exceptional and we were not sure we could maintain it. We actually did maintain it and accelerated it a bit in Q2 and into that 18.7%, very strong.

I am very happy to see that all the good work that the team is doing within the pharma industry and food is paying off. Obviously we are being helped by the financial environment. There is money around for investment. However, they've done a really good job.

Food which is one of our great businesses as well is also strong on the growth side. And then they have made a partnership with [FOAM-iT] from the US, so they will sell our products from their channels and we will sell their products from ours, which is exactly the right thing to do for that business. On top of that we had strong growth in outdoor and in the US restoration as well.

On the margin side we've not been able to maintain the margin, there's simply a mix factor in here that prevents it. It is not because the prices are dropping or anything, it is a mix factor that is hitting us. And still even though that we were not completely where we hoped to be, 45.8 is very, very decent. And as we've talked about, we expect to complete the outdoor and restoration strategic reviews by Q3.

Consumer, amazing quarter for those guys with 14.3% in a business where we've said it's not really about the growth, it's about improving earnings. I remind you all that we had a very cold Q1, hence a lot of the revenues that we expected in Q1 came in Q2, so we should rather discuss the half year number where we are growing by 1.5%, exactly as we expect we would. We would stabilize the top-line and then we would work to improve the profitability of the business.

And we have. In HI we improved the EBITDA from 7.4% to 10.2% in '18, strong performance by [Thomas] and the team, and we can only be happy with the delivery of what they promised.

So that was a quick go-through of the five, four good ones and one that we were not happy with.

And then I leave it to you, Karina, to go through the financial, please.

Karina Deacon - *Nilfisk - CFO*

Yes, thank you, let's turn to page 12 and look at our gross margin. Back in February when we released our full-year results we indicated with the red arrow that we saw continued improvements. And as [Hans Henrik] said we had followed up that path, we proved it with an uplift in Q1 and again here in Q2, we saw an improvement of the 20 basis points over Q1. So now that means that we are 40 basis points above the level of 2017.

If we compare to what we experienced in Q1, I'd say that most of the significant changes and improvements relate to our capacity utilization. We talked about our delivery situation in two of our factories in Q1 and now we are back to normal, so now we can utilize our capacity in those two factories.

In addition to that, we saw a better product mix in our professional business, simply selling more of higher margin products and that's also a big part of the explanation for the improved gross margins we saw under the regional review.

And then finally the cost-savings programs that (inaudible) with savings on procurement complexity and processes.

On the other hand, there was also some negative influence on the development and the significant impact that came from our specialty business which Hans Henrik talked about. We had a higher degree of outdoor business in Q2 than in Q1. And Outdoor had a significantly lower gross margin than the average specialty.

Within Outdoor sales we also saw a lower margin in Q2 rather than Q1. And then I will also mention that in our profitable business [IBS] we had a slight decline, I will say from a very healthy level, but there were some mix changes within customers and products, nothing to worry about simply adding into the mathematical decline.

We saw a small impact from raw materials, not that we see increasing prices as such, but we see, as you noticed we had some contracts on formula. So when those contracts they are going to be extended we are faced with higher prices. So there's a little bit of an uplift in those prices in Q2.

That leads me to talk about tariffs which you were probably asking about anyway and have basically day by day we see the situation change, but so far we don't experience a lot of impact on our numbers. We don't import steel from China to US, so what you see is a very indirect impact. So in our forecast of 2018 I don't see a significant impact at the moment, but as I said, we're learning from of course every day what happens.

One thing maybe I should mention, I've talked a lot about it in private label, or on private label sales that was on relative terms more or less on par with Q1, so we didn't see any further dilution for that part in Q2.

Turning to the EBITDA, we are very pleased to see a very strong EBITDA margin again going up to 12.5. And then that means that we have not only improved the gross margin but we are also using overhead in a better way measured in percentage, so that means that if we exclude the impact from the phantom shares, we [lowered] our overhead percentage from 35.3% to 33.2% of revenue in Q2.

Just a small comment on the phantoms, we exercised almost of our outstanding phantom shares in Q2, so now we are seeing an impact of around 300,000 euros whenever the change in share prices is around 10 points, so obviously a smaller impact. And I am hoping that we don't have to keep in track of that going forward.

Turning to our cost-saving program, in one way there is not so much more to say because after our uplift in Q1 we are really following and instituting what we said at that time. We had the initiative in Q2 worth 5 million euros. And what we did is during Q2 was the continued transformation of finance which also went to India.

We also made a decision related to our back-office customer care function as a non-customer facing where we had [GF service center] in Hungary and we decided to out-source that to India based on the good experience we've had with our financial installation.

Then we also continued various overhead reductions looking at becoming more efficient throughout the organization. So this means that from the cost savings program if we compare our half year '18 to our half year '17 we had a positive impact of 5 million. So before the end of 2018 we expect an even further improvement, so we will look into a (inaudible) of 10 to 12 million when we compare it to 2017.

Then if you look at our working capital, that is one point where I am not particularly happy because you have heard me say it many times that I believe that the target should be around 17% and we are now reporting 17.5

You know that last year we had a very, very low inventory level in the first half of the year, and that low inventory level is now wearing out and coming back to normal levels. And that being said I did not expect it to be 17.5 because the inventories actually went up, we've worked on setting trial inventory levels, a mathematical way of finding out of how much should we have. And then we had one factory where we still are working to fully implement that. So that is one thing. But another impact is in our local inventories where we do see a slight incline compared to where we want to be.

I can't rule out that there is a little bit of psychology in that because after our delivery situation in Q1, I would not be surprised if some local sales guys felt we better stock up to make sure it doesn't happen again. So obviously this is high in our agenda to get those inventories back on track.

If we look at our receivables, we saw an increase in DSOs. Part of that is related to our growth, obviously as we grow in areas where we have longer DSOs it does have an impact. Similarly we had relatively higher consumers sales and that's part of the business we have longer payment terms from our customers compared to in our professional business, but clearly this is something that is high on the agenda to monitor to make sure that it doesn't [place] more than where we were, and where we think is reasonable because of (inaudible) changes.

That concludes the financial review, so if we turn to outlook, just reiterating that based on what we've seen in the first half and what we see here, up until 14th of August, we believe that our outlook should be maintained, the 3% to 4% on organic growth and 11.5% to 12% on EBITDA before special items.

That concludes our presentation, so now we will go to Q and A.

QUESTIONS AND ANSWERS

Operator

Thank you (Operator Instructions) We will now take our first question from Casper Blom from ABG. Please go ahead, caller, your line is open.

Casper Blom - *ABG - Analyst*

Thank you very much. A couple of questions from my side, I think you've already given some comments in the press this morning, but the whole situation regarding Tennant, there's been talks of mergers and acquisitions and so forth, can you please provide sort of an update on where you are in that process if there is any process? That's my first question, please.

Hans Henrik Lund - *Nilfisk - CEO*

I'm sorry, Casper, we couldn't hear, you broke up on the first part of the question. Would you mind repeating the question, please?

Casper Blom - *ABG - Analyst*

Sorry about that, what I said was I think you've already commented a little bit in the press this morning, but if you would just clarify the process regarding Tennant, there's been talks of mergers, acquisitions, et cetera, you know the story. Could you please give an update on where you are in that process if there is a process?

Hans Henrik Lund - *Nilfisk - CEO*

Thank you. So, Casper, we have examined that very carefully regarding that transaction, and the opportunity for a transaction over the last six months. We have, so to speak, done our homework and with that homework we are now confident to say that we believe there is more value in our own standalone plan. Hence, we are fully focused on executing that plan.

So I think that answers your question, right?

Casper Blom - *ABG - Analyst*

I suppose it does, but does that mean that you no longer see potential synergies, or is it just because you believe that if you were to sort of marry with Tennant, you would have to acquire them and then pay too high a higher price. Is that the thinking?

Hans Henrik Lund - *Nilfisk - CEO*

Let me not comment on that, Casper. I think the fair point is to say that we've really, really examined it thoroughly and we have looked at every opportunity. And we have now concluded that there is more value in our own plan. And I don't want to comment too much on the process or any further, but we've reached the conclusion after we've done a really serious homework on this topic.

Casper Blom - *ABG - Analyst*

Fair enough. And my second question, the last time we talked to you was three months ago in the mid of May and you talked about how you expected a rebound in the organic growth in the second quarter, and I think you mentioned that you would actually expect to see the business achieving organic growth of 4% to 5% in the first half of the year. You end up at 3.6.

I'm a little surprised that you did not have more transparency over the last 1.5 months of the quarter. Have you been surprised about this development or is this really the normal transparency in the business?

Hans Henrik Lund - *Nilfisk - CEO*

Casper, it's a very fair question, let me start by saying that. And I, you know, I am disappointed about it as well because we did believe that we would make it above 4%. However, just allow me to just be a little bit boring and talk about some of the numbers. At that time, there was about 45 days to go of the quarter which corresponds in rough numbers to about 150 million in revenue.

If we should have hit the middle of the 4% to 5%, 4.5, we were missing 5 million; 5 million out of 150, that's about 3.3%. So we -- you know, we're talking a 3.3% on the back 1.5 months and it can happen in our business that we cannot forecast it with a bigger accuracy than that.

We are a very transactional business. We are not a project business where we can forecast it completely. So yes, it can happen, that we can't see -- we don't have the visibility down to the last 3%. It can happen. And it did this quarter, you know me, I'm more annoyed about it than most, but it did happen.

Casper Blom - *ABG - Analyst*

Okay. Sticking a little bit to that, just my last question here, you were quite clear in the presentation that you were not happy with the growth in the US in the second quarter and you'd also mentioned some reasons. Is it also fair to believe that there has been an intensified competition? Coming back to Tennant, they were quite busy with IPC last year, maybe they've also wanted to become a bit more aggressive given the, I can say M&A speculation.

Have you witnessed any change in the competitive behavior in the US?

Hans Henrik Lund - *Nilfisk - CEO*

No, no. I think we're all good citizens and Tennant, they are as well. So I'm not seeing any price games or anything like that. I just think that we've had a number of issues, that yes just like we talked about. Given Casper that you just -- you nailed me on the visibility, I am more careful on this call talking about how I think we can improve it than I would normally be.

But I do believe that we had some headwinds and in the second half of the year, we're doing better. But obviously I cannot be happy with the results from the US at this moment.

Casper Blom - *ABG - Analyst*

Fair enough. Thanks a lot.

Hans Henrik Lund - *Nilfisk - CEO*

Thank you, Casper.

Operator

(Operator Instructions) Our next question is from Kristian Johansen of Danske Bank. Please go ahead. Your line is open.

Kristian Johansen - *Danske Bank - Analyst*

Yes, thank you. So my first question is around the US. In your Q1 report, you said that you had some delivery challenges with floorcare products in America. I just wondered to what extent that has been solved and whether there's an impact in Q2 as well?

Hans Henrik Lund - *Nilfisk - CEO*

Thank you, Kristian, excellent one. We did overcome the ones we had, but then as I've indicated we have a bit of mix change in our again which again led to that we had more of the large machines that we needed out and there is a longer lead time on them. So we're still having a bit longer lead time on those machines and hence couldn't execute it within the quarter. So call it delivery issues or call it mix, it's a matter of taste.

Kristian Johansen - *Danske Bank - Analyst*

But just to clarify, so this longer lead time or delivery time, is that at a normal level or do you expect to improve that?

Hans Henrik Lund - *Nilfisk - CEO*

There are two things here, these machines, they have, in general, a longer lead time than some of our commercial machines, so that's mostly what I'm talking about. Do we have extra five days at the moment? Probably we do. But the main fact is that some of those machines, just by nature, carry a longer lead time than commercial products.

Kristian Johansen - *Danske Bank - Analyst*

Fair enough. Then my second question is on the growth for the second half, so we already touched upon your previous expectation of the 4% to 5% for the first half. Going back to February, when you gave the original guidance for this year, you indicated lower growth in the second half, i.e. 2% to 3%, has anything changed around your growth assumption for the second half of this year, do you still expect that?

Hans Henrik Lund - *Nilfisk - CEO*

Yes, I do think so, Kristian. I think we have a couple of changes that we can talk to. Number one is I'm probably a bit more bullish on EMEA at the moment than I was when we spoke at that time. The fact that Germany has shown a recovery in Q2 is important for EMEA and I'm obviously hoping that continues to be proven. So there's a positive thing going on in EMEA.

The other thing is we probably [expected] that on the professional business, the specialty business, we expected that that growth would slow a bit, based on what I've seen in Q2 that's not the case. We called it exceptional also in Q1 and we got the question whether it was a sustainable level. I actually believe you were the one who asked the question and we said no, it's not sustainable. But so far, it's been sustainable in Q2 as well.

So there is a positive side there as well. And then of course, I expect US and Americas to come in better in the second half. So there's a little bit of shift.

Kristian Johansen - *Danske Bank - Analyst*

Okay, that's good. Then just on your first point about being more bullish on EMEA, because obviously if I look at the growth ratio reported, you had the 4.9 for the first three months and you had 6.2 for the first four months and then you come in...

Hans Henrik Lund - *Nilfisk - CEO*

Kristian, I'm sorry, you're dropping out. We cannot hear you.

Kristian Johansen - *Danske Bank - Analyst*

Let me try again. So on the growth for EMEA you had the 4.9 for the first three months and 6.2 for the first six -- sorry, four months and then you come in at 4.8 for Q2, so that sort of implies strong growth. In April, I assume there was some catch up from the issues in Q1 and then substantially lower growth in May and June. Is that the right thinking and is that the run rate we should expect going into Q3?

Hans Henrik Lund - *Nilfisk - CEO*

Let me not comment on Q3, Kristian. But I think when we start analyzing each month in our business, then it becomes a bit tricky and difficult. I would not do any trends within a quarter. I think the way I look at it is, as I said, we have had a strong performance in Q2 in Europe and it's driven by some of the right countries, because we know when we're good in France and Germany, then it's a good place to be. And we are hoping and expecting the trend to continue into second half. I think that's these closest I can get to it.

Kristian Johansen - *Danske Bank - Analyst*

Fair enough. Thank you, that was all for me.

Hans Henrik Lund - *Nilfisk - CEO*

Thanks, Kristian.

Operator

We will now take our next question from Erik Karlsson from Industrial Equity Partners. Please go ahead, caller, your line is open.

Erik Karlsson - *Industrial Equity Partners - Analyst*

Thanks for taking my questions; I had two, one on the US on the refocusing on the channel. Maybe you can describe how these changes have been taken in the market so far both with regards to the smaller dealers that are seeing a little bit of change in terms of the relationship with you and also when you think that your sales force can focus a bit more on the bigger accounts.

Hans Henrik Lund - *Nilfisk - CEO*

Excellent question, thank you. Go ahead, please.

Erik Karlsson - *Industrial Equity Partners - Analyst*

Yes. The second question is really on capital allocation. Now with Tennant's deal off the table, how should we think about your priorities for capital allocation going forward? Do you intend now to reduce the debt levels or are there any smaller tuck-in deals you would focus on or any other priorities for capital allocation? Thank you.

Hans Henrik Lund - *Nilfisk - CEO*

Thank you so much. If I take the first one then Karina will take the second one. You were talking deals in the US, as we see it, it has been -- it has been done positively towards the smaller dealers. The revenue we get from smaller dealers is stable. We also changed the pricing structure for them and that has been accepted as well. So on the smaller dealers, positively.

Of course we're doing this to get an even stronger focus on the larger dealers. We have, at the same time, changed some territories for our sales people, so it's too early for me to say what's been the benefit for the larger dealers. I'm still waiting to see that impact positively because we spend more time on them.

Maybe a little bit of that in Q2 drowned or was not visible because the changes we did, of course, when you change a territory for sales people, it has an impact for a short while. So positively on the small ones, no issues, stable revenue. The upside will come later on the bigger ones. That was the first dealer question and then the capital allocation, Karina.

Karina Deacon - *Nilfisk - CFO*

Yes, and I'm very sorry but you fell out on the second part. Could you just repeat that question?

Erik Karlsson - *Industrial Equity Partners - Analyst*

Yes. Now with the Tennant deal off the table, how should we think about your priorities for capital allocation? Would you primarily focus on debt reduction over the next year or so or would you look at smaller bolt-on acquisitions?

Karina Deacon - *Nilfisk - CFO*

Yes. Okay, I think actually the question is yes to both because we don't see any big transformational potential acquisition, however, we will look at if there are any smaller bolt-on acquisition which make sense. But as we've said before, we are not so much looking to add product. We believe we have plenty of products to offer our customers.

Could there be some access to channels which would open up or do we have other thoughts as we've also talked about could there be something in our basic Specialty Profession business, could there be something there? Yes, we'd be interested. But on sort of the overall view that we take now, that would be best reduction because of the scale and the size of the potential acquisitions there might be. But we're not saying no acquisitions, but we're just being very selective.

Erik Karlsson - *Industrial Equity Partners - Analyst*

Very good. And could you just remind us where do you think is a good level of net debt to EBITDA to run with that for Nilfisk?

Karina Deacon - *Nilfisk - CFO*

Yes, we said that when we listed a target of 2.5 times EBITDA or below and that's one way of aiming for at the moment and we believe that we can get there within six to nine months everything else being equal. And then when we get to that point, then obviously we will -- we will reconsider and say should we go even further down or how does it look at that situation. But 2.5 times is definitely where we are targeting to get to.

Erik Karlsson - *Industrial Equity Partners - Analyst*

Very good. Thank you so much.

Operator

(Operator Instructions) We will take our next question from Claus Almer from Nordea. Please go ahead. Your line is open.

Claus Almer - *Nordea Markets - Analyst*

Thank you. I also have a few questions for my side. Coming back to the organic growth, if you only look at the professional service business which I guess is your core business, you did 2% in the first half this year which is below the full-year guidance range. And in the second half, you will be challenged by a lower private label sale, hopefully better US performance and the comparison will likely be more tough than we saw in the first half.

So what would we actually think about second half growth within your core business, that would be my first question.

Hans Henrik Lund - *Nilfisk - CEO*

Thank you, Claus. The way we think about it as we talked about was core business being professional business, EMEA will be a bit stronger than we had anticipated. We are a bit more cautious on US. We are confident on APAC, and then you can debate it, right, but the Professional Specialty, that's where we are positive that the growth rates we've seen in both Q1 and Q2, they will last into second half as well more than we had expected. So that's basically the mix change we talked about.

Claus Almer - *Nordea Markets - Analyst*

Sure, but we're not only talking about the professional segment, so you think full-year that your professional segment will actually meet your 3% to 4% full-year growth guidance?

Hans Henrik Lund - *Nilfisk - CEO*

Well Claus, I don't have it broken down the way you talk about. I said to look at it across the segments, so I'm caught off guard by that question, but maybe Karina can help us.

Karina Deacon - *Nilfisk - CFO*

Yes. I think if you look at where we are with our specialty business, that's clearly above average, so what you are asking is do we believe that we are above average at full-year, yes, we believe we will be above average. And thereby, you could also sort of negatively answer your professional business question, they will not be on our guidance level because we will have the help from the specialty business, (inaudible).

Claus Almer - *Nordea Markets - Analyst*

Okay, thanks. Then my second question, and I'm a bit puzzled about the comments in your Q2 report about the Americas, you are seeing this unexpected shift in demand from commercial products to industrial floorcare equipment. I guess the client base must be very different between these two segments. And then it was mentioned something like one dealer has moved from the commercial to the industrial segment. Is that the only reason?

Hans Henrik Lund - *Nilfisk - CEO*

Claus, what's your puzzle, can you open up a bit, please?

Claus Almer - *Nordea Markets - Analyst*

Yes, I mean, you're just -- you're just saying that you're seeing this unexpected shift from commercial product to industrial segment, but those two segments is totally different. The client base must be very different between these two segments. So I'm just a little bit puzzled why you are connecting a shift between these two segments.

Hans Henrik Lund - *Nilfisk - CEO*

I get it. So okay, the reason is, Claus, the commercial business, we have shorter lead times on it and we have longer lead times on the industrial products. That's the whole thing which means that you can execute commercial orders quicker than you can execute industrial orders and they have more -- and mix change is of course for the quarter not a good thing.

Claus Almer - *Nordea Markets - Analyst*

And leading to my second question or what I'm also puzzled about, in the quarterly report, you're also mentioning that it takes longer to product industrial floorcare machine. I mean, how long does it take to produce a floorcare machine for the industrial segment?

Hans Henrik Lund - *Nilfisk - CEO*

You know the lead time is about 60 days.

Claus Almer - *Nordea Markets - Analyst*

I guess, but not producing a machine, so is this the sales cycle you are talking about?

Hans Henrik Lund - *Nilfisk - CEO*

No, it is the lead time, so when work comes in until we have it built and delivered.

Claus Almer - *Nordea Markets - Analyst*

Okay. And therefore, you know, Q3 should be very strong in the US due to this shift. Is that how we should take it?

Hans Henrik Lund - *Nilfisk - CEO*

No, no, no, no, that's not what I'm saying, Claus. I'm very cautious saying that second half in the US will be better than first half. I'm very cautious on that one, because we're talking one thing here, but there are -- as you see, there are more factors in play, so you can't just take one and say that makes us very positive on Q3. I wouldn't put that into your spreadsheet. I would say, as I've said it two times, that second half is expected to be better than the first half.

Claus Almer - *Nordea Markets - Analyst*

Okay. So then just my final question about the Americas or the US, have you made any changes to your structure, your organization you know, extra position to the dealer structure obviously?

Hans Henrik Lund - *Nilfisk - CEO*

So the only thing we've done, Claus is that we've moved some territories because when you take out all of the small dealers, obviously we need to move in your territories again and say no, I want people to cover dealer types one and two and how do we -- how do we then organize ourselves accordingly.

So there are some of the sales people that's got new territories, that's the only change unless Karina has something to add.

Karina Deacon - *Nilfisk - CFO*

No. I was just going to say that we moved our IBS business with our professional business strong -- making our industrial business stronger, so that's one of the changes that we did in the first half as well.

Hans Henrik Lund - *Nilfisk - CEO*

That's a good one. Yes, you're right, absolutely.

Claus Almer - *Nordea Markets - Analyst*

Okay, thanks.

Hans Henrik Lund - *Nilfisk - CEO*

Thanks, Claus.

Operator

It appears there are no further questions at this time. So I would like to hand the call back over to the host for any additional or closing remarks.

Hans Henrik Lund - *Nilfisk - CEO*

Thank you so much for following our webcast and thank you for asking brilliant questions and we will now go back to work. Thanks a lot. Have a good one. Cheers.

END