

Danfoss Press Release

August 23, 2022

Danfoss Raises Outlook After +50% Sales Growth

- Sales grew 50% including the 2021 acquisition of Eaton's hydraulics business, reaching EUR 4.9 billion. Organic growth was 13%.
- Operating profits (EBITA) increased by 27%.
- Growth momentum continued despite high inflation, ongoing supply chain disruptions, exit from Russia, and COVID-19 lockdowns in China.
- Semikron Danfoss transaction closed in August, building a leading position in electrification.
- New Danfoss ESG strategy launched and emission reduction targets for 2030 approved by the Science Based Targets initiative.
- Outlook for 2022 raised to EUR 9.5-10.2 billion sales based on a strong first half and the closing of the Semikron Danfoss transaction.

NORDBORG, DENMARK – Danfoss is transforming, with half-year results setting a strong foundation to deliver on our Core & Clear Strategy 2025. In the first six months of 2022, Danfoss grew by EUR 1.6 billion, reaching EUR 4.9 billion in sales. The acquired hydraulics business added sales of EUR 1.1 billion, while organic growth was 13%.

Growth was broadly based across the major markets of North America, Europe, and Asia-Pacific, as well as in all three business segments. The Danfoss Power Solutions segment, which provides mobile and industrial hydraulics and electrification solutions, stood out with significant growth. Furthermore, the increasing demand for energy-efficient heating and cooling solutions as well as power electronics was driving a growing demand for technologies from Danfoss Climate Solutions and Danfoss Drives.

On July 15, 2022, Danfoss signed an agreement to sell its Russian activities to local management in Russia. Closing of the transaction is expected in September 2022.

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Danfoss continued significant investments in innovation (R&D), up 38% from the first half last year. At the same time, Danfoss delivered a 27% increase in operating profits with EBITA of EUR 570 million. Net profit amounted to EUR 289 million, negatively impacted by the write-down of net assets related to the Russia exit.

“Danfoss is transforming at full speed, and I am very pleased with the outstanding teamwork and strong performance of our teams around the world despite the challenging times. With the transformational half-year results, we are setting a strong foundation to deliver on our Core & Clear Strategy 2025, fueled by bold investments for our long-term success. In a challenging business environment, we maintained our strong growth momentum, while keeping the integration of the hydraulics business well on track. On top of this, we closed the Semikron Danfoss transaction. The world is on the tip of an electrification revolution, and with this, we take an important step building a leading position. With the results for the first half and the closing of the Semikron transaction, we have raised our sales expectations for 2022,” says Kim Fausing, President & CEO of Danfoss.

“We have taken a big and bold step to put sustainability at the center of our Core & Clear 2025 strategy. The new ESG ambitions are clear, and our climate targets have been approved by the Science Based Targets initiative. We are energized by our promise to be the leading technology partner for our customers, decarbonizing through energy efficiency, machine productivity, low emissions, and electrification. Danfoss has never been better positioned to deliver on our purpose to engineer tomorrow to build a better future,” says Kim Fausing.

Executing ESG ambitions

In April, Danfoss launched its 2030 ESG ambitions on decarbonization, circularity, and diversity & inclusion. The ambitions are an important part of Danfoss’ business strategy, Core & Clear 2025. In May, Danfoss’ climate targets were approved by the Science Based Targets initiative. Danfoss will continue to accelerate its efforts on decarbonization.

Outlook 2022 raised

Danfoss assumes a continued growth in the second half of the year with an ambition to expand or maintain market share. Due to a strong sales performance in the first half of 2022 and the closing of the Semikron Danfoss transaction, sales are now expected to be in the range of EUR 9.5-10.2 billion for the full year compared to previous expectations of EUR 8.8-9.8 billion. The expected EBITA margin in the range of 11.4-12.9% is unchanged, leading to an increase in EBITA in nominal figures. This is following continued investments in the development of new products and solutions. The expected growth and profitability performance is dependent on the development of the COVID-19 pandemic, global supply chain disruptions, as well as the current volatility in the world economy.

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Key figures for first half of 2022

- Sales increased by 50% to EUR 4,906 million (H1 2021: 3,265m) including the acquired hydraulics business. Organic growth was 13%.
- Operating profit before acquisition-related amortization (EBITA) increased by 27% to EUR 570 million (H1 2021: 449m). The EBITA margin reached 11.6% (H1 2021: 13.8%).
- Net profit reached EUR 289 million (H1 2021: 286m), negatively impacted by the write-down of net assets related to the Russia exit.
- Free operating cash flow after financial items and tax (before M&A) was EUR -226 million (H1 2021: 63m).
- Investments in innovation (R&D) were up 38% to EUR 212 million (H1 2021: 154m), corresponding to 4.3% of sales (H1 2021: 4.7%).

Read more on financials.danfoss.com.

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About Danfoss A/S:

Danfoss engineers solutions that increase machine productivity, reduce emissions, lower energy consumption, and enable electrification.

Our solutions are used in such areas as refrigeration, air conditioning, heating, power conversion, motor control, industrial machinery, automotive, marine, and off- and on-highway equipment. We also provide solutions for renewable energy, such as solar and wind power, as well as district-energy infrastructure for cities.

We deliver value to our customers as a global technology partner with global leading positions, deep application knowledge and sustainable innovation in our core businesses:

- Danfoss Power Solutions – Full solutions capabilities in mobile and industrial hydraulics, fluid conveyance, electrification and software
- Danfoss Climate Solutions – Sustainable heating and cooling solutions for buildings, cold chains, industry and infrastructure
- Danfoss Drives – Clean-energy solutions such as AC drives, power semiconductor modules, and electrification in automotive and various industries

Our innovative engineering dates back to 1933. Danfoss is family-owned, employing more than 40,000 people, serving customers in more than 100 countries through a global footprint of 95 factories.

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