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Information:

[?] = Word was not understood completely but meaning is almost correct. Recording point is written to the text e.g. [word? 00:15:44]

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[text] = Sounds or not transcribed parts are written with square brackets e.g. [laughs] or [interview paused due to a phone call]

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Speaker 1 [00:00:01]: Thank you, and good morning to everybody, and welcome to the third quarter's report. Without any delays, let's proceed to the presentation. We are happy to report a strong quarter, especially considering the tough market conditions that we are facing for consumers. We have a challenging macroeconomic environment, retailers that continue to rebalance inventories, we see clearly a decline in RV OEM demand, most especially in North America. On the performance side, good total growth, 37%, 6% decline in organic growth, very much impacted again by what we see just now on both the RVOEM side, but also the service and aftermarket, while Marine still continues to show strong growth, and Igloo, in the same way, continues also to show very strong growth. Retail margin ended up at 14% versus 15.9, with all the segments, with a section of EMEA showing higher every day. We are, of course, very happy to see that Igloo develops exactly in the way that we expect it and delivers margins over 10%, and well above 10%. We are also very pleased with seeing that cash flow is coming back more than double the operating cash flow that we were showing one year ago, when we were building up inventories, and now, we're starting to take down the inventories. And the restructuring programme is showing progress as planned. Looking at the financial side, we are up 37% in total growth with, as I mentioned before, 6% decline organically, 50% FX growth, and 28% driven by M&A. [?? 00:02:07] up 20%, surpassing the 1 billion Krona, with an EBITDA margin of 40%. EPS, adjusted EPS up

43%, operating cash flow, as I mentioned earlier, more than double the numbers one year ago. Leverage three times versus 1.5, influenced by currencies primarily. If we look at the [?? 00:02:34] numbers, 48% totally speaking, flattish on organic growth, 10% FX impact, and 38% coming from M&A, with even there an EBITDA margin surpassing the 3.5 billion or 29% up, and EBITDA margin of 40.8 versus 17%. So, the gap that we had at the beginning of the year is coming closer now, when we see our underlying margins improving, especially driven by Igloo, at the same time as service and aftermarket is still showing weakness. EPS up 34%, and operating cash flow on 1.1 billion versus 1.2 billion one year ago. Looking at the growth pattern, we are just now running on a 12-months [?? 00:03:27] number of about 21.1 billion. As you can see on the right-hand side, Americas shows flattish growth in the quarter. We say EMEA 8%, APAC 10, Marine 33, and global, very, very nice, obviously, numbers, since we didn't have Igloo one year ago. Organically, 6% with Marine developing still very nicely, EMEA, APAC and global, all of them minus 3%, and Americas are minus 23%, impacted, as we said, both by the RVOEM evolution as well as service and aftermarket. Looking at application areas, we can obviously see what is the impact of the RVOEM on the different charts. Climate is very much independent on the RVOEM, and that's where we see, obviously, the impact in the last quarter, [while? 00:04:24] food and beverage is very much driven just now by Igloo, showing continued very nice growth. And we also see the power and control continues to develop in a very positive way, driven by the acquisitions that we did in the last 18 months.

[00:04:39]

Looking at the sales channels, still, we see the service and aftermarket is very much influenced by the [?? 00:04:49] situation of the inventories, and we will come back to that in a minute. OEM, you can see as well that this is the first quarter where we see that we are dropping, in comparison to the situation in the last 12 months, [while? 00:05:03] distribution still develops very, very nicely. and Igloo is important, but I would also like to take the opportunity to comment hospitality, which is a small business for us, but is still doing very, very well. This is, in my opinion, one of the most important slides, since it's kind of confirming the strategic journey that we initiated four years ago. As you can see, RVOEM ended up at 23% in the quarter, in comparison to 31% one year ago. [?? 00:05:40], the more important is that RVOEM in Q3 2017 stood for 49% of the business. So, basically, we have quite a different company that we had five years ago. If we look at the American market specifically, where we see just now the impact of the RVOEM decline, the RVOEM in Americas stands for 11% of the total business [?? 00:06:04]. You can see as well how, if you look at the last years, all the channels have been growing quite heavily, but some service and aftermarket and distribution have been growing much, much faster than the OEM side. And perhaps worth to mention is that, while RVOEM is down in the quarter, both CPVOEM and Marine OEM are still developing very nicely. Spending some more attention into the service and aftermarket, what you can see really is what is known as the bullwhip effect, the pandemic kicking in 2020, changing totally the pattern that we had in our systems. As you

can see, 2018, 2019, developing very similarly, we got in Q1 March, 2020, Covid coming in, we have Q2, a disaster Q2, obviously, with a lot of stores worldwide shutdown. Then, Q3 opening the stores, [?? 00:07:11] is starting to kick in, massive growth. The massive growth continued during 2021, and even in the first quarter 2022. So, what it's worth to mention, when looking at the chart, is as a matter of fact that you compare Q2 to 2022 with Q2 2019, we have organic growth of 4%. The 4% becomes 7% in Q3. Our expectation is that this will be showing gradually improvements. But of course, that comparables are very, very tough, which is obviously exactly the same as many other auto companies have been experiencing in the last months. Looking up EBITDA margins, I already mentioned 14% versus 15.9. Igloo is, even if they are improving the margins quite strongly, they're still having a dilutive effect on our total margins. We have on one side service and aftermarket, which is dropping 17%, and as you all know, we have much high margins on the service and aftermarket that we have on the OEM. And then, on top of that, we have a unique, I would say, extraordinary logistic [?? 00:08:30] related to EMEA, where we have difficulties to unload containers and difficulties to find warehouses, to have the goods that we were importing during Q2, having an impact in Q3, and will still have an impact for a number of months moving forward, and then, we will be clean.

Still, we see a positive effect from our growth clearly from the acquired companies, not just Igloo, but all the rest. We have price management that continue to kick in, [?? 00:09:02] so we have neutral effect when raw material prices and price increases. The good news there is, obviously, that we don't see the lower raw material prices in our P&L, we start to see them on the balance sheet, and as we are introducing our inventories, we will [?? 00:09:21] in the new prices at a lower level. We have a lot of cost saving activities ongoing, and then, we have positive effects from currency clearly.

[00:09:31]

Having a look at the long-term perspective, what we can see is that we have more than double the size of the company the last five years, and in the same way, more than double as well the earnings of the company in the last five years, even if we still see the negative effects from the tariffs that worked quite heavily when they kicked in in 2019, Look in different segments, Americas flattish, 23% organic growth down, with [?? 00:10:06] as usual, OEM being very much impacted as we all knew now for months, [?? 00:10:12] aftermarket being negative due to the rebalancing of inventories. EBITDA, ending up at 100 million, with an EBITDA margin of 5.8, which is an improvement versus last year. We see help, extra help from the lower tariff cost. So, we are reducing the impact of the tariffs in our numbers. And we see also a positive effect coming from FX. While at the same time we have a negative effect from the channel mix. And all the acquisitions that we did in Americas during 2021 doing very well. If we look at the EMEA region, which is perhaps the major disappointment in this specific quarter, growth down 3%, we see service and aftermarket

down. At the same time, we also see that CPV did show a very nice evolution during the quarter. EBITDA ending up at 162 million, or an EBITDA margin of 8.6, which is a clear drop versus the 14.8 that we had one year ago. I already commented the logistic cost of 35 million. We will see improvements moving forward, but still negative effects for a number of months. As you all know as well, we communicated the closure of [?? 00:11:34]. This is progressing according to our plans and will be completed mid-2023. APAC up 10% with organic growth even here, negative [0.3%? 00:11:46], driven by exactly the same factors as for the other couple of regions, the rebalancing of the inventories. We see a very nice development of the acquisition that we did one year ago in mobile power solutions area. EBITDA, very good job, ending at 151 million or 26.6% margin, which is an improvement versus last year. And here, obviously, we are adapting capacity, and we have been adapting capacity during the entire quarter to the new demand situation. Marine also very positive, 33% up totally speaking, with organic growth of 11%, very much driven by OEM and service and aftermarket even here is negative. [?? 00:12:35] at the same levels as last year. And what we see in Marine is that the technology shift that we have been talking about earlier continues, meaning that customers are moving from mechanical products, mechanical steering systems, to hydraulic and from hydraulic to electronics. And that has a positive impact on the average price per boat. EBITDA heavily up, 469 million, even if EBITDA margin is slightly down, very much driven by the sales mix, meaning higher OEM, great growth in OEM, while quite a bit of decline on the aftermarket. Even here, we complete an acquisition during Q1, [?? 00:13:18], which is developing very, very nicely. Last one [?? 00:13:23], global, showing also fantastic growth, obviously, but very much driven by the fact that Igloo was not [?? 00:13:30] in the quarter. From Q4, we will see [?? 00:13:35] numbers, which means that we'll be converted into organic growth during the quarter. And while Residential was down, I'm very, very pleased with [?? 00:13:45] Hospitality. You all know what happened with the pandemic and investments in the Hospitality industry, despite the fact that a lot of projects are just now ongoing, we already see that we are on a higher than pre-pandemic on that side. And Igloo continues to develop very nicely. EBITDA ending up at 174 million, heavily up versus last year, with well above 10% EBITDA margins at Igloo. And the integration is progressing very nicely. So, let's have a deeper look at Igloo. Looking at the year-to-date numbers, we are showing a performance growth close to 20%. We perceive Igloo looking historically as a very, very stable, resilient business. We continue to gain market shares. We see, as well, when measuring, I mean, of course that everybody is just now talking about inventories in many other industries, we have seen the green industry coming down heavily, but when looking at our numbers still today, the [post? 00:14:56] numbers, so [sell-through? 00:14:58] at the retail level are still down in comparison to the level that we had, that we saw in 2019 and 2020, which is positive for us, obviously. EBITDA more than double, a lot of job has been done on product innovation and segmentation, so having dedicated products from different customers so they can position, as customers can position different products in different ways. Good cost control, and what we see as well is that [rising? 00:15:27] cost has stabilised and is slightly coming down, which is also positive for our numbers moving forward.

[00:15:35]

Again, fantastic job. You look at the evolution in the last four years, we have taken a lot of share, 13 percentage points, while the following three major competitors have been losing share. That's also positive, because the position that we are getting, the branding, the rejuvenating branding position that we are getting is going to help us when penetrating new markets for us, as active cooling, soft cooling, where we are still underrepresented, and nonetheless [?? 00:16:08] having a fantastic potential for growth. You can see as well on the right-hand side how the company evolved during the financial crisis, 2007-2009, very, very, very stable. We see as well that the fact that consumers are a little bit more careful might lead to a situation, specifically for Igloo, where people are moving from high prices products to a slightly lower priced product. So, we feel very confident that Igloo will continue to develop in a positive way moving forward. Another area that we, obviously, like to talk about is mobile power solutions, where we can see a fantastic development in the last four years. This is, of course, [?? 00:16:59] sales. And [?? 00:17:01], this is, sorry, it's total sales, and you see the evolution during the last four years showing [?? 00:17:10] of 24% during all those years. And what is driving this is really sustainability. Sustainability is leading to electrification; electrification is leading to a business which is growing on the line. And positive is not just the growth rate, but also the profitability rates that we see in these businesses. More to come. We have been spending a lot of time integrating these companies. I have a very positive feeling about how things are progressing. We're starting to launch products under the [?? 00:17:44] brand, we have all these companies cooperating together, and I feel, again, very positive about what we are going to see in the coming quarters. Just one more of our units, Go Power, out of Canada and US, doing a fantastic job, having a strong brand name in the industry. And what this company is doing, they are very much on the service and aftermarket, but what they are doing is really that they are upgrading the truck fleet to mobile power solutions. They have already today 25 years of experience doing this, and one million installations. And again, there is much more to do from a service and aftermarket perspective in this area. Another product that we launched during the quarter is a new inflatable rooftop tent series, which makes it much, much faster, makes it much more convenient to spend a weekend together with the family. It's very lightweight, very convenient, and we see that this is a market also showing underlying growth rates. So, we will continue to invest in that area. E-commerce, an area which is obviously having a tough time just now, post-pandemic, we see a slight growth during the last quarter in comparison to previous quarters, but not growing at the pace that we would like to, but it's very much obviously driven by the same. Just now, the E-commerce business is much tougher. We have implemented the software in the US, in Australia, eight markets around Europe, and just now, everything is about traffic. It's about getting more traffic to our website and converting traffic into sales. Looking at our restructuring programmes, we are running two programmes. One initiated in Q3 2019, announced in Q3 2019, leading to a total saving of 400 million and at a cost of 750, and the second one that we just announced in Q2, aiming for total savings on 200, a total cost of 200. We look at the quarter, we have taken 329 million as cost, and influencing 500 new employees. Most of it is really the

shutdown of SIGINT in Germany, which means when summarising, that the total cost that we have taken so far is 797 million out of the 950 that we have communicated. We're looking at run rate, we are running a 300 million to be compared with 150 million that we were showing in Q3 one year ago. And as we know, we have the expectation at the end, by the end of the year, next year, we are going to be running at the total savings of 600 million.

[00:20:50]

Look at strategy, this is perhaps also one of the most important slides. We walk the talk, we introduced to the market a strategy in 2018, and this is what we continue to run. Sales growth, 48%, of course that we have acquisitions, and they are important for transformation of the company. All the acquisitions are showing nice, profitable growth. Distribution of service and aftermarket stands today for 57% of the business versus 50% one year ago. Even, again, in that part of the business just now is going through these rebalancing of inventories. [?? 00:21:31] perspective, innovation index is down to 15% versus 26%. There is no drama, this is very much suffering from the situation with the semiconductors. Whenever we have electronics in all our products, we are running field testing, and as soon as we discover something during the field test, we need to reprogram. Then again, with the long lead times that we have been suffering from during the last two years, that means a lot of delays. So, we have a lot of new products in the pipeline, we are very confident that we are going to get back to the numbers that we have been seeing during the last couple of years. IP is nothing that we are normally talking about, but it's also showing great development as a consequence of investments that we have been during the last few years, we have more than double our IP rights during the last four years, we have multiplied by almost five the IP rights during the last six years. Cost reductions, SKU down to 65% and more to do. We are not done totally. Now, as we are introducing new products, we will see even more SKU reductions. I already commented on restructuring programs, and we're looking at comparing Q3 2022 versus Q3 2021, we are about 1200 fewer [?? 00:22:53]. Sustainability, I also feel that we are making a lot of progress. Injuries, this is the second quarter when we are showing numbers below our expected target for 2024. So, we are 29% down in injury rates in comparison to the situation one year ago. I don't feel good on our share of female managers, on 23%. We are working extremely hard, still, we have difficulties to bring it up to the levels that we want to see, but I'm fully convinced that with all efforts that we are doing, we will see that coming up. On the contrary, [?? 00:23:35], showing also a very nice development as a consequence of investments that we are doing on renewable electricity. And ESG, we have a new target to audit all new suppliers, and we are also achieving our target after the job that we did in [?? 00:23:52] countries during the last couple of years. So, [?? 00:23:56] a lot of different activities on the entire organisation. And with that said, Stefan, could you please get us deeper on the financial results?

Speaker 2 [00:24:08]: Yeah. Okay. Thank you, Juan. Starting off with our EBITDA development bridge, talking a little bit about the different bucket, starting with the organic plus FX. Obviously, currency effects, translation and transaction effects have been positive in the quarter. We have also seen cost reductions related to the cost reduction programs that we are running, but also on the tariff side, we're seeing the tariffs coming down. Then, on the negative side, we obviously have the organic sales decline, lower volumes. We have a sales channel mix effect related to higher OEM sales in the quarter and lower service and aftermarket compared to the same quarter last year. Then, we have the extraordinary logistic cost in EMEA, and we also continue to invest more in R&D. Then, as Juan mentioned, from the balance between our price increases and the cost increases, we have been neutral in the quarter. And even though we are starting to see raw material cost and transportation cost coming down, it's going to take a while until we have used the inventory that we currently have on hand. Moving over to Igloo. Igloo has made a good development in the quarter, and we see margins which are well above 10% in the quarter, and yeah, it's a development that is according to our expectations. Looking on the other acquisitions, we see that they continue to deliver growth, and they are also continuing to deliver above average domestic margins in the quarter. Moving over to the next slide, looking into cash flow, we did 812 million in operating cash flow in the quarter. And that is more than double up compared to the same quarter last year. So, slowly but surely, we are seeing the cash flow coming through. And if we look on the change in working capital, that is still negative, but you have to take into consideration that the accounts payable, they are down approximately 1.1 billion. A part of that is seasonally driven, but it's also a sign on that we are reducing our purchase orders to supplier on materials. Then, we have the adjustment for non-cash items that is basically consisting of provisions, related to the restructuring programs. We have taken the cost, but we have not fully yet paid them out. Depreciation and amortisation, obviously, and also some FX effects. The investments in fixed assets are up compared to the same quarter last year, and it's very much driven by fixed assets investments in the mobile cooling area. If we look on [?? 00:27:57] cash from financing, we have a big positive effect in Q1 last year. Just to remind everyone, that was the bond that we did in September last year. And here, you have it laid out over time, and we start to get something that is a bit similar to historical trends that we have seen, that we are now in Q2, Q3, Q4, in the cash generating season, so to speak. The 812 million that is equal to 63% cash conversion, and as you know from our historical pattern, Q4 is also a typical cash generating quarter. Moving on to the next. The different components in the working capital accounts payable, we have been, as we have been communicating before, doing a good job on the accounts payable side, where we have been extending payment terms to suppliers around the world. On accounts receivables, we have a stable level, and we haven't seen any indications of that pointing up. And then, we obviously have on the inventory side the rather significant increase here. We also need to draw your attention to the fact, of the 5.1 billion, or around five billion increase in inventory, acquisition stand for 1.4, FX of about 1.7 billion, and then increase in raw material prices is making up approximately 1 billion. So, that means that volume related to secure critical components and longer lead times is making up 1 billion. That is important to keep in mind when you are assessing our inventory situation. Further comment on inventory, we are expecting the inventories to start to come

down, and if we take the September month isolated, we have been starting to see the decline that we have been expecting to come through.

[00:30:34]

Looking on CapEx, on a relation to net sales, we are keeping a stable level. In absolute terms, it's a bit up, and as I mentioned before, it's very much related to fixed assets investments in the mobile cooling area. Moving over to R&D, we see a very similar picture in relation to the net sales, we have a stable development, but obviously, we are a larger company, and it is important for us to continue to invest in research and development, which will then also over time drive up our innovation index again. Moving over to our debt maturity profile and leverage, nothing has happened basically in the maturity profile since Q2. It's a well-diversified profile, and the average maturity is now three years. And we also have an ongoing revolving credit facility of 200 million Euro. If we are looking on leverage, it looks like leverage has been going up since the last quarter, but if you put one more digit behind the comma, you see it's 2.96 versus 2.93. So, it's not much of a movement. And underlying, we have taken down leverage with 0.1, related to our underlying cash flow and the EBITDA development. And then, we all know about the strengthening here with dollar and Euro to Swedish Krona, and that have had a negative effect in the quarter of 0.13. So, excluding that effect, we would've been around 2.8 times in leverage. So, with that, I hand over to you, Juan, to conclude.

Speaker 1 [00:32:51]: Thank you, Stefan. So, looking at the business in the quarter, 37% sales growth, supported by the acquisitions during last year, we are facing challenging market conditions, with the [?? 00:33:03] political and macro environment challenges. We expect a continued decline on the RVOEM. We expect also a gradual recovery on the service and aftermarket that we have seen, [?? 00:33:19] the inventory rebalance in the last couple of quarters, and we also foresee a stable evolution on distribution. While looking at our strategy, we are a more diversified and resilient company. As I mentioned before, RVOEM, and we were very much perceived as an RVOEM company, a few years ago stood for 49% of the business, today is down to 23%. That's a massive change. Again, we are working very, very hard to rebalance capacity according to the demand that we see. We see that already in payables, we see that on our inventories starting to come down, we see also on the containers, the number of containers that are arriving both to Pacific, to Europe and to Americas, coming from our suppliers and our own factories in Asia. So, we are very, very certain that cash flow is going to improve in the coming quarters, as inventories are coming down. And we will continue to work hard to implement our strategy, since simply we are optimistic on the trends, on the underlying trends on the mobile living industry. And with that said, I would like to proceed with a Q&A session.

Operator [00:34:47]: If you wish to ask a question, please dial star five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial start five again on your telephone keypad. The next question comes from Fredrik Ivarsson from ABG. Please go ahead.

Speaker 3 [00:35:16]: Yes. Thank you, Operator. Hi guys. A few questions from me. If we could start with the service and aftermarket, curious if you could share the organic here in your decline in the quarter. I mean, we appreciate the shot you showed us versus previous years, but that obviously includes some of [?? 00:35:40]

Speaker 1 [00:35:40]: So, the organic decline is 17% in the quarter, while it was 16% in Q2.

Speaker 3 [00:35:51]: Perfect. Thank you, Juan. Second one, on the inventory levels within the aftermarket retailers, so to speak, would you mind sharing your assessment of those?

Speaker 1 [00:36:07]: No, but I think, I mean, we see that they are still high, and that's a little bit [?? 00:36:14], we can see what they are doing, we can see the sell-through at the same time as we see obviously how it looked like one year ago. And that's why we're expecting improvements moving forward. And the question is obviously, when you are 70%, are we going to say plus 10% in the next quarter? The answer is no. I do believe that we will see the stepwise.

Speaker 2 [00:36:36]: And then, I think also, Fredrik, we need to take into consideration where we are in the year. I mean, we have a seasonality in this business. I mean, we know that Q4 and Q1 are the two smallest quarters in service and aftermarket, and Q2 and Q3 are the two strongest ones. And so, you have to overlay the understanding with that fact.

Speaker 3 [00:37:04]: Yeah. Very clear. And last question, on EMEA, the margin took a big hit in the quarter, down six percentage points versus last year, and that's obviously also due to the negative channel mix you saw. So, what should we expect when we're looking into Q4 and beginning of next year?

Speaker 1 [00:37:25]: So, we would see still this extra logistic cost coming in, it will be lower in Q4, but we will still see some. We, again, as service and aftermarket is coming back, we will see improvement from that side. The question is obviously, how much are we going to see in the quarter this year. And then, of course, we have also our restructuring programs kicking in, we have [raw material? 00:37:51] prices coming down, so [?? 00:37:55] we

expect to see some positive signals in Q4 clearly. But keep in mind that EMEA, we had a slightly negative [?? 00:38:09] from the RVOEM, we have a heavy decline on service and aftermarket, and we were also showing growth in CPV. And of course, we are losing just now quite a bit on the service and aftermarket as a consequence of the lower sales. So, that's an important, that's extremely important to us. And as I commented a couple of times, we had never seen negative numbers like this.

Speaker 2 [00:38:38]: Concerning the logistic, just to be clear that that will be affecting Q4 as Juan said [?? 00:38:46], and that will also be, and then even smaller effect in Q1.

Speaker 3 [00:38:53]: Yeah. Thanks. And a quick follow up, it sounds fair to assume that the decline in aftermarket is worse within EMEA in the quarter.

Speaker 1 [00:39:04]: Yeah, well, the decline in service and aftermarket is everywhere. You can look at every single segment, it's down in service and aftermarket, which is telling you, obviously, that we were not, it was not just [?? 00:39:14] being optimistic about season 2023, sorry, '22, all our customers were very optimistic about season 2022, like for any other auto company.

Speaker 2 [00:39:25]: And it started off well.

Speaker 1 [00:39:27]: And it started by 5%, so we were showing Q1 organic growth service and after market was 5%.

Speaker 3 [00:39:32]: Yeah.

Speaker 1 [00:39:32]: Versus the same quarter last year. That was already very high.

Speaker 3 [00:39:37]: Yeah. Perfect.

Speaker 1 [00:39:37]: So, all signals were very positive. I believe that everybody underestimated the impact of inflation and the interest rate increases.

Speaker 3 [00:39:50]: Thank you.

Speaker 1 [00:39:51]: You are welcome.

Operator [00:39:59]: Please state your name and company. Please go ahead.

Speaker 4 [00:40:03]: Daniel Schmidt, Danske Bank. Morning guys. Do you hear me?

Speaker 1 [00:40:10]: Yes.

Speaker 2 [00:40:11]: Yeah.

Speaker 1 [00:40:11]: We do hear you, Daniel.

Speaker 4 [00:40:12]: Yeah. Sorry. Yeah. Just a couple of questions then, starting on the topic of Igloo, and you're growing well into the double digits, it looks like also in Q3, and I think you mentioned, Juan, that direct-to-consumer channel has been growing for the group, I think you mentioned, and maybe also for Igloo, but you didn't seem that excited about it. It's been a bit slower than you expected. What is really then making Igloo grow at this pace that it's doing? I appreciate that some of it is price. Is it sort of still only the US market, or have you been sort of branching out and getting some international sales as well?

Speaker 1 [00:41:04]: No, not yet. That's Americas. It's the American market. So, we are, as we communicated, we are just now looking at EMEA, we are working on organisational topics in the EMEA region, and that, we will see that coming 2023. Today, it is very much Americas, and they see a very nice growth, we have information on weekly basis about the sales flow for every single customer, it looks so far so good. And again, as I mentioned before, which is even more interesting, is that if you look at our customers inventories, they are still down in comparison to the situation 2019-2020, which is positive, because [?? 00:41:43] that normally we will see growth even in the coming quarters.

Speaker 4 [00:41:50]: And did I get you correctly in terms of your comment on B2C for the group, is that also true for the development of Igloo's direct-to-consumer channel?

Speaker 1 [00:42:01]: Yes.

Speaker 4 [00:42:01]: That it's been growing, but a bit slow.

Speaker 1 [00:42:03]: Yeah. Yeah. It started pretty weak in Q1. We saw improvements in Q2, and we saw also improvements in Q3, but not as we expected. And I think that we [?? 00:42:14] same trends and for anything accompanying on e-commerce.

Speaker 2 [00:42:19]: Yeah.

Speaker 1 [00:42:20]: Of course that e-commerce was boosted during the pandemic years, and now is going to find a new level. And then, we wanted to start growing from a new level, like any other company.

Speaker 4 [00:42:32]: And it looks like you are growing, and as you also show in the chart, you're taking share, and you're outpacing yet the, at least what I've seen so far this year, and is it sort of, I guess it's a bit hard to know what the reason is, but is it a mix between people trading down and also you improving the assortment? Or what is, what matters the most?

Speaker 1 [00:42:59]: Daniel, I believe that the company has done an excellent job, starting with the brand insight, repositioning the company and spending a lot of money in product development. So, the key works are co-development and segmentation, developing specific products for every single chain, which means that you can, of course, position yourself in different ways for different customers. That has been a trick, and that trick will continue.

Speaker 4 [00:43:29]: Yeah.

Speaker 1 [00:43:29]: Again, [?? 00:43:29], when you say that they are outpacing competition, it's not just one year. You look at four years.

Speaker 4 [00:43:37]: Yeah. Yeah, I saw that on your chart. Okay, good. Just coming back to EMEA then, and maybe more on the sort of the end market exposure side. I don't think you mentioned it specifically in the report when it comes to RV in EMEA, are you seeing any

improvements that I think we talked about last time in terms of availability of chassis that some of your customers are talking about in Europe? Is that happening?

Speaker 1 [00:44:08]: I perceive a better situation. So, I have the feeling this is moving from being kind of theory in tomorrow practice. We are not at the level, so if we look at Q3, we have a negative evolution on RVOEM in Q3 as well, in EMEA, but we are more optimistic about the coming months. Then, I do believe we're going to be very much depending, obviously, on the foot traffic to the retailers. But manufacturers are optimistic, and we see that it is coming.

Speaker 4 [00:44:45]: Yeah. And then, a final question, inventories, you mentioned, Stefan, of course, already in September started to come down, and that trend will likely continue into the last quarter of this year, and I assume that sort of production is running low on the OE side. And at the same time, you're seeing maybe a recovery in the aftermarket, if you are under producing on the OE side, on the OE side, i.e. sort of [?? 00:45:15] under absorption of fixed costs there, how's that going to sort of tally versus an improving mix? Is that going to be neutralising each other out in terms of the profitability in Q4, or is it sort of maybe a difficult question, but any reflection on that?

Speaker 2 [00:45:35]: No, I think one clear reflection on this is that we are a different company now, and we should not forget about the measures that we have taken. I mean, as you know, we have been closing down two facilities in America, as we are about to close down one bigger facility in Europe. And it's not that we are, you know, moving it one to one. We are moving it partially to outsourced partner or outsourcing partners and partly our facilities, so we have a more flexible, that we have a more flexible structure. And I mean, one further, you know, indication of that is that we have 20 fewer locations. So, it's, I think we, if we compare to 2019, when this was a bit of an issue as well, I mean, domestic looks different in terms of the type of structures that we are, you know, carrying ourselves. So, I think that's important. But I mean, that doesn't mean that we are zero impacted, of course, and we already see that partially in Q3, and I think we should also expect that we will have some effects of this in the coming quarters, because we are very, very committed, obviously, to generate cash flow, taking down inventories, and you know, it is a delicate balancing act here also with inventory that we need to make sure that we are keeping the service level, you know.

Speaker 4 [00:47:22]: Yeah. Yeah. [?? 00:47:20], it comes down to that, but it also comes down to sort of the mix on the top line and sort of the margin in between the two, sort of the three different revenue streams that you divided into.

Speaker 1 [00:47:35]: But then, at the same time, Daniel, it is important to remember that the vast majority of the cost is material cost. And we see clearly trends, week after week, that raw material prices are coming down. Which that will have a positive impact. The question is just which month are we going to see it.

Speaker 2 [00:47:52]: Exactly. And it's important to keep in mind here as well, that it's only one billion of the total inventory increase that has to do with a volume increase. Okay, Daniel.

Speaker 4 [00:48:05]: Thank you. That's all for me.

Speaker 1 [00:48:07]: Thank you, Daniel.

Operator [00:48:13]: Please state your name and company. Please go ahead.

Speaker 5 [00:48:20]: Agnieszka Vilela from Nordea. Hi guys. I have a few questions to you, starting with thinking about some headwinds that you have right now, maybe turning to potential tailwinds when we move into 2023, I wanted to ask you about the transport costs. And thank you for singling out the kind of extra cost you had in EMEA. But overall, when I look in your annual reports, I can see that transport costs for you as a group represents about 7% of sales in 2021 and has been increasing, probably due to mix, but also probably due to the higher costs for shipping containers. So, if you could help us understand what kind of headwind do you have in 2022 from that? So, overall kind of transport costs increasing. And also, do you expect these costs to ease into 2023?

Speaker 2 [00:49:18]: I think, Agnieszka, what you are seeing there, that's basically outbound transportation cost and distribution cost, which you see on that line. There, the increases, there has been increases during 2022, but not as significant as on the incoming side. And the incoming side, you don't see separately, that is included in cost of goods sold basically. And there, we are seeing much more significant, you know, improvements. You remember the times we were talking about 18 to 20,000 dollars for a container from China to US, for example, you told me, Juan, the other day that the latest you had heard was spot rate of 1,800 dollars. So, that would really be almost back to pre-pandemic levels. But I would not say that we are generally back to pre-pandemic levels. It's still above. But that is obviously also going to take a while exactly as for raw material before we see that in our P&L, because the incoming transportation cost is still residing in our inventory value, and as the inventory is turned over then, obviously, we are going to start to enjoy lower transportation costs as well. So, that will take a while. But...

Speaker 1 [00:50:55]: it is coming.

Speaker 2 [00:50:56]: It's coming, no doubt.

Speaker 5 [00:50:56]: Okay. Yeah. Yeah, perfect. Yeah, and maybe follow-up on inventories. Out of the 10 billion that you have on your books right now, can you tell us how much is related to the finished products? Just, you know, thinking about what you need to do with the kind of production levels?

Speaker 2 [00:51:18]: I would say it's 75%. Yeah. Something like that, 70-75%. And yeah.

Speaker 1 [00:51:32]: An important comment there, Agnieszka, is that, again, I'm back to expectation for 2022 for entire world, and what it became in reality. So, we all, every single company that had delivery problems one year ago. At the same time, the delivery expectations were very high. So, of course that we wanted to be on the safe side like any other company. All of a sudden, the market comes down, as you can see on service and aftermarket, and then you are sitting on excess inventories. Just for you to get a feeling, the number of containers in Q3 this year, in comparison to a number of containers that we had on the sea in Q3 last year, is down 41%. Four-one. The expectations before is even higher. So, we are working extremely hard, we are very confident that we will see the cash flow improving quite a bit during the coming quarters, simply because we have been working on that. As soon as we saw Q1 kicking in and the first signals from retailers, we have started to take it down, but of course, you cannot stop the ships that are on the sea. Now, we can see that coming. So, we follow, we are tracking this every single week.

Speaker 5 [00:52:48]: Perfect. Perfect. Thank you.

Speaker 1 [00:52:50]: It's two things just now, Agnieszka. One, [?? 00:52:52] the inflow of finished goods coming from, especially from Asia on the different continents. Number two is reducing capacity in our factories. We have done both.

Speaker 5 [00:53:08]: Perfect. Thank you. And then, I have a last question actually on Americas. You have defended your profitability quite nicely, despite more than 20% organic decline. Could you just tell us what were the main drivers? Was it the cost savings and closing the facility, or maybe contribution from the newly acquired companies? And also,

maybe a follow-up on that, just will you see a kind of similar improvement in EMEA once the German factory is closed? Thanks.

Speaker 2 [00:53:39]: But I think you mentioned all the factors yourself. Obviously, I mean, the restructuring measures that we have been taking is starting to come through. Then, the acquired companies are, of course, contributing with over average margins. And if we look a little bit on the mix side, I mean, we also have the [CPV basis? 00:54:05] that is developing nicely, based upon the contracts that we have been winning and generating, yeah, good margins basically. So, I think you, except for the CPV one, you were listing all the factors.

Speaker 5 [00:54:27]: That's perfect.

Speaker 2 [00:54:29]: And obviously, I mean, we will expect a mix change to the better if we are looking a couple of quarters ahead here, and obviously, the restructuring measures, they are there.

Speaker 5 [00:54:52]: Thank you so much.

Speaker 1 [00:54:54]: You're welcome.

Speaker 6 [00:54:55]: Okay. We have a few questions on the web, so I just interrupt with those very quickly. Can you say anything around the debt maturity in '23, are you're planning to re-finance those?

Speaker 2 [00:55:10]: Yeah, let me say the following, that is something that we are working with, as we always do. And I would say that we are keeping our options open, we are looking into various alternatives here, and one option is to use our own cash flow to various, yeah, portions.

Speaker 6 [00:55:43]: Good. Next one. When you look at 2023, do you expect a more balanced kind of retailer situation in inventories, and do you expect EMEA margins to come back?

Speaker 1 [00:55:57]: I mean, on the retail side, [?? 00:55:57] doubts, we see again that 2022 started very, very strongly on the service and aftermarket. We saw Q2 and Q3 very

weak. We are expecting stepwise improvements moving forward. And of course, if we are talking about the whole 2023, I believe that we are going to see a positive evolution. The question is almost when are we going to see the positive numbers kicking in first. I think that's the basic. If we are looking about the distribution side, I also believe that the same rebalancing is taking place. Again, this is not just a metric, this is, you look at [?? 00:56:35] companies, you look at other companies, we are all seeing the same. And I think that it's, again, we are comparing with extremely strong 2021 and second half 2020. And for every single month, we should be closer to a situation where it's turning to the positive.

Speaker 6 [00:56:53]: Good. And the final one on the leverage side, how do you expect that to develop coming quarters?

Speaker 2 [00:57:01]: Now, but I mean, as we have communicated before, we are committed to take down our leverage, and we are prioritising that. And yeah, building on what we have been talking about, that we will see a good development of the cash flow in the coming periods here, and yeah, that will obviously support that development. So, we are committed to take down leverage.

Speaker 6 [00:57:40]: Okay. And Operator, back to you for the final question please.

Operator [00:57:50]: Please state your name and company. Please go ahead.

Speaker 7 [00:57:56]: Hi guys. This is [?? 00:57:56]. I didn't, contrasting Q1-Q2 reports, I didn't find any comments on the order book in this report. Maybe I missed it. But could you give us some flavour on to what extent filling back orders was a major part of the sales figure in Q3, and if you have any visibility into Q4 in that regard?

Speaker 1 [00:58:23]: Yeah, we have. We have a lower backlog that we had in Q3 last year, driven obviously very much by the RVOEM in Americas. The rest is very much the same. So, it is really RVOEM driving this down. And of course, the service and aftermarket that we are expecting to recover gradually. Marine is doing very well. We see, again, distribution with exception of residential doing well.

Speaker 7 [00:58:53]: And on Marine specifically, which posts quite nice organic growth in the quarter, driven by OM sales partly, is there any chance that this can be maintained into Q4, or was this mainly an effect of catching up with the back orders?

Speaker 1 [00:59:14]: I mean, I think it's difficult to foresee that we are going to be growing organically 11% at the same time as service and aftermarket is heavily negative. So, I do believe that we're going to see that [?? 00:59:23] is going to come down, and we should be seeing, obviously, service and aftermarket improving over time. So, I'm not expecting 11% organic growth last year, next year, sorry.

Speaker 7 [00:59:38]: Yeah. No, that's probably a fair bit. And then, I'm wondering about, as we go into November now, which is typically a big discounting month in retail, do you see any signs of price deterioration in your retail sales, or what do you expect now in the Q4 in that regard?

Speaker 1 [00:59:59]: What I'm expecting is, obviously, we will do a good job in protecting our margins. I mean, customers are doing the job. We also need to do our job. And as you know, raw material prices are coming down now, but they have been up in the last two years. So, my statement is that we will do anything we can to protect our margins.

Speaker 7 [01:00:26]: Okay. Thank you. Those were all my questions.

Speaker 1 [01:00:29]: You're welcome.

Operator [01:00:45]: There are no more questions at this time, so I hand the conference back to the speakers for any closing comments.

Speaker 1 [01:00:52]: Thank you very much everybody for your attention. Rest assured that we will keep implementing our strategy and keep developing the company as we have communicated for a few years now. It is tough market conditions just now, but we have done it before, and we will do this time as well. And we will get even stronger when coming out from the actual situation. With that said, thank you very much for your attention and goodbye.

Speaker 2 [01:01:21]: Thank you very much. Bye.

[End of transcription 01:01:22]

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