

Transcription

**Dometic – restated financial for
new segment structure**

28 March 2024

Juan Vargues: Good morning to all of you, and welcome to the presentation of the Dometic New Segment Structure. Let's start immediately by looking at where we are coming from. On the right, sorry, on the left-hand side, you have the chart showing our structure for 2017. As you can see on the different colors, the gray area represents the original three regional segments that we had, meaning Americas, EMEA, EMEA, and APAC. The green side represents what we reported as the marine part at the time or the original segments. That was the marine business that we had in 2017. The blue part represents the hospitality side that we had at the time. As you can see, there has been a dramatic change during the last four years, up to 2023, where we have seen all the segments growing.

Juan Vargues: You can also react on the fact that marine has been showing fantastic development as well. Segment global as a combination of both organic and acquisitive growth. Of course, the first question is why are we doing this new change again? The reason is really that we believe in focus. We believe that focus and specialization pays off always. When I joined the company in 2017, sorry, in the beginning of 2018, we had three regional segments and three geographical segments in charge or in principle, 14 different product groups and seven different verticals. Everything that we have done since the beginning has been really to try to reduce the complexity in the business, getting our management in the different segments to get deeper into both the product side and the customer side.

Juan Vargues: In reality, the journey is very much about shifting our focus from regions and a regional approach and more into a product and global approach. Just to explain in some way, if we do have a number of factories doing refrigeration, you have much more in common by running one single customer, three refrigeration factories across the globe than having a combination of refrigeration and blinds. You don't have a lot of things in common with Windows 2 products. There is not a lot of synergies. You have different materials, you have different suppliers. We believe that this global approach will give us a higher number of synergies, and we will get even more understanding for different customers. The first step in the journey after the sister acquisition was really to create, on one side, the marine subsegment as a part of the global segment that we announced 2021 and then after the acquisition of Igloo in November 2021, we moved the marine segment to become a new segment on the top and then we included Igloo as part of global.

Juan Vargues: That's the way we have been reporting now for the last couple of years. At the same time, the background for the acquisition from the beginning was that we knew that we had enormous synergies between the organization and the cooling box business that we had within Dometic historically. This was really the plan from the beginning, but, of course, we wanted to see igloo developing in the first 18 months, 24 months before making this change. We have been working together now for two years, and we believe that it is time now to get additional attention to the mobile cooling business, which is one of the businesses where we have major

expectations moving forward. At the same time, we also communicated that we completed six acquisitions in the other area where we have very, very high expectations moving forward, which is mobile power solutions.

Juan Vargues: Therefore, we are taking this new step on one side, moving the agro-business together with the Dometic legacy cooling box business to become Dometic mobile cooling. As we announced some months ago, at the same time, and created a global organization called Mobile Power Solutions, which became the one new subsegment within global. The next question that we might get is obviously, what about the rest of land vehicles? I would like to re-emphasize again that if we could split land vehicles into different products, we would do it because again, we see more seasons that way. Unfortunately, vehicles look differently in different parts of the world. Just to give you an example, if you look at an RV in the US, the average number of air conditioners is two and a half.

Juan Vargues: If you look at Europe, the average number of air conditioners is 0.25 or 0.30. The technology we have today is different enough not to motivate to have one global organization driving air conditioning globally. Having said that, of course, as you know, we are growing in some of these areas more. We have been commenting a number of times that we also preparing to divest and working on divesting in Somali parts, and that might lead to a situation down the road where we take the next step. Again, we want to drive the business out of a global perspective. We believe that that's the driving force behind organic growth. Just to clarify even more, the three regional segments that we had in 2023 are being renamed to Land Vehicles Americas, Land Vehicles EMEA, and Land Vehicles APAC.

Juan Vargues: They will be responsible for products and solutions for land-based vehicles, which means on one side, the RV business, but that means as well. When we are talking about trucks, we are talking about agriculture. Any kind of land-based vehicles where we have our equipment and that includes as well and most of the standalone products, meaning dense, meaning rocks systems, and meaning as well, what we call mobile cooking. Then we have the marine business that is moving from being a subsegment to being already a segment, and they are in charge of protein solutions for the boating industry. We have as well, mobile cooling solutions, which is the combination of the igloo business that we acquired in 2021 and the carve-out of all the Dometic cooling box business that we had up to 2023.

Juan Vargues: Then last but not least, we have Global Ventures, which is the combination of one side of the mobile power solution, the global mobile power solution business that we are carrying out from the regional segments, plus other global verticals. Just as a reminder, in other global verticals, we have three different verticals. One is hospitality, second is residential, and thirdly, we have mobile deliveries. Looking at the changes at the top, this means really that the regional segments' land vehicles will represent about 44 percent of the total business. The marine business will be 23 percent of sales. Mobile cooling solutions will represent

exactly the same number, meaning 23 percent of total sales. The new global ventures, combining all other verticals and mobile power solutions will represent 10 percent of the total business. With that said, I would like to hand it over to Stephan, please.

Stefan Fristedt: Good morning, everyone. I will review the different segments starting off with the three land vehicle segments. First of all, America has products and solutions for land-based vehicles in America within the RB and CPV industries. As I mentioned, it makes up 15 percent of the group sales in the new structure. We have been moving out mobile cooling solutions and mobile power solutions to the new segments, as we just mentioned. If we look at the financials for land vehicle Americas they had a turnover of 4.2 billion in 2023. That is compared to 2022 an organic decline of 32 percent. It has obviously been significantly impacted by the RV industry production in America, as well as the inventory reduction cycle in the service and aftermarket channel.

Stefan Fristedt: The EBITDA margin in 2023 was minus 3.8 percent compared to 3.4 the year before which is obviously mainly driven by the significant decline in sales. Just to be clear. The sales of this segment are sold across all our sales channels moving over to land vehicles EMEA. The comments above are the same as for the Americas. I'll go directly to the segment financials. We had almost 6.8 billion in turnover in 2023. That is equivalent to a minus 2 percent change in net sales. The EBITDA margin stayed pretty flat at 9.3 compared to 9.5 the year before. Here the same format as for the Americas is valid as the sales is coming from all sales channels. Moving on to land vehicles APAC we had it's making up five percent of the total sales in the group. We had a sales of 1.4 billion in 2023, and that is equivalent to a five percent organic growth in 2023.

Stefan Fristedt: As a matter of fact, the already strong margin is actually increasing somewhat. When we broke out mobile cooling solutions and mobile power solutions and then stopped at 31.2 percent. Here we have the same comment as on the other ones that we are selling through all sales channels in vehicles APAC. Moving on to the marine segment where we sell products and solutions for the marine industry globally. We have moved out mobile cooling solutions and mobile power solutions to the new segments. It was not a significant part of the marine segment. The share of group sales is going down from 24 to 23 percent. We achieved almost 6.5 billion in sales in 2023, equivalent to minus 4 percent organic growth. They built the margin on 25 percent is slightly down versus the year before.

Stefan Fristedt: That is obviously different driven by the organic sales decline. Also, we have had an unfavorable north to market have been going down of the total total sales. We are selling marine products through the service and aftermarket and the OEM channels. Coming into segment mobile cooling solutions, and as you mentioned, it was already clear from the beginning after the acquisition that we would take this step in combining the global cooling business with the Dometic branded

mobile cooling business in order to drive further value creation and also secure the realization of the €50 million dollars in synergies that we did point out in connection with the acquisition. If we look on the basis as such 80 percent plus of the sales is coming from the igloo business in 2023.

Stefan Fristedt: In 2023, we had 6.2 billion in sales in this new segment. That's equivalent to minus 11 percent organic growth. It was really impacted mainly by that. We had a reduction by the larger retailers in us on their inventory levels. We have also seen a similar development in the APAC region within mobile cooling, we have entered into a margin of 8.8 percent which is an improvement versus the year before when it was 8.3 percent. It has, of course, been impacted by the minus 11 percent organic development. Then we have also seen increasing logistic and warehouse costs in this segment. We are continuing to invest in new products in our product portfolio which we believe is absolutely necessary to drive the development in this segment. If you do the backward calculation you will see that the margin on the Dometic-related mobile cooling business has been going down.

Stefan Fristedt: That is exactly related to declining sales, but also, increasing extraordinary costs around logistics and warehousing. We are expecting that we are gradually going to come back to the margins that we have seen in the Dometic branded mobile cooling business, which has been around 20 percent and 100 percent of the sales in this segment are via the sales channel distribution. Moving on to segment Global Ventures, that is really two distinct subsegments. It's mobile power solutions which is self-explanatory. We have other global verticals like you which have existed already before. That consists of businesses on the residential side, hospitality, and mobile deliveries. Mobile Power Solutions is going to make up around 70 percent of the segment sales in 2023.

Stefan Fristedt: That has obviously been driven by the six acquisitions that we have done in the period 2021 or 2022 in all three geographical areas. Going over to the segment, financials, 2.6 billion in net sales, which is equivalent to minus 22 percent development. It has been very much driven by mobile, the development in the mobile power solutions business, and very much so to the US side of it, where it has been impacted both by the decline on the OEM side, but also the same decline driven by the inventory reduction on the service and aftermarket channel in Americas. The delta margin is 14.1 percent in this segment. It has, of course, been impacted by the sales decline. If we continue to invest in product development in this space to be a part of this fast-growing industry.

Stefan Fristedt: If we look specifically at the acquired mobile power solution businesses, they have been delivering a data model that is well above the group average, despite the challenging market conditions. If we look at the sales channel split other global verticals are distribution and as well as in mobile power solutions. With that, I would like to open up for Q&A. I hand it over.

Operator: 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 star five again on your telephone keypad. Please mute your line when you have asked your question, and please limit yourself to only two questions. The next question comes from Johan Eliason from Kepler Cheuvreux. Please go ahead.

Johan Eliason: Hey. Good morning. It's Johan here. Thank you for taking my questions. I was curious about the land vehicle segments. Now that you make them even more focused in terms of product areas we still see a significant difference in margin here between the Americas, EMEA, and APAC. Can you give us some explanation of the reason for the significant difference in margin? I guess part of it is that the RV volumes in America are obviously significantly weaker than in Europe. Is it also CPV or any other type of bigger aftermarket or other profile that explains this difference and do they all have the same margin potential in the future?

Juan Vargues: I would say I will say that that's different. I mean, first, we start with a bug. It is clear that a bag for us is in per se to different subsegments. You have the Pacific area and then you have Asia. Asia is very small for us. Pacific is huge for us. We have a very good organization, very huge margins. Of course, there is not a lot of competition. It's far away from the US. It's far away from Europe. We have, I would say, a unique position in that area. Then you have on the other side America. Americas is the one that is the most exposed to the RV side. We have a business or CPG business in the Americas that is relatively small in comparison to what we have in Europe. They have basically not a lot of standalone growth in comparison to what we have in EMEA.

Juan Vargues: If we look at EMEA is the one having, I would say, the most diversified program. On one side we have a CPV, which is substantially bigger than what we have in the other two regions. That's what we the business, the CPV business starting once upon a time, and then the other side is that it is also in the EMEA region where we made a few of the important acquisitions completed or something. The one both the front-runner business and the contact business were there and they are coming as well with higher margins. If I move from your first question to the second question, do they have the same potential? The answer is no. It is clear that we have more competition in the American market than we have in the European market at the same time.

Juan Vargues: It is also true that the American market has been extremely tough in the last couple of years. I believe that we will continue to see the same situation, meaning APAC's highest margins, EMEA are in between and America's lower margins, but of course, we don't have the intention of losing money as we are showing for 2023. Then you have the servicing of the market business, which is also a very, very, very important part of the business where we have a higher servicing of the market in demand, driven really by the combination of businesses and the fact

that the CPV business is so much bigger is in America. America is the most exposed to the ruling business.

Johan Eliason: Excellent. Then I wonder a little bit about Global Ventures. Is that an area where we will see more acquisitions going forward, or is this also an area where you are considering divestments?

Juan Vargues: I think I found Global Ventures to be a very, very exciting area. We completed, as you know, six acquisitions in the Mobile Power Solutions business. We believe that our market will continue to grow at a higher pace than the rest. We believe that the market is very fragmented, and we have a unique situation to be one of the companies rolling up that market as such. We will see more.

Johan Eliason: Excellent.

Juan Vargues: Just to complete on that one, the reason for calling ventures is that you have other global verticals when the intention is really to develop global businesses. You might be in a situation three years from now where we feel that it's difficult to penetrate certain markets with some of the products. We will not hesitate to raise the question and say, "Okay, is this something for the future or not?" I would like to split more about solutions, which is definitely part of our future, big time, and global ventures, which are very much about investing in the areas, that have the potential. What we still need to see is that they can develop into the next step. I mean, one of the areas is mobile deliveries. As you know, we have been investing heavily in developing that area of the business because it is clear there is a customer demand.

Juan Vargues: Until now, even if we are trying the products, even if we have some of the global chains trying the product, still we don't have basically any sales. Of course, we cannot invest for another 10 years before we take a decision on whether that's part of the future or not. It might be that it's still early days for that kind of thought. Did I answer your question?

Johan Eliason: Yes, that's absolutely fine. And then finally, I just wondered, I mean, we saw some decent numbers and outlooks from the European markets yesterday. How is your current market situation? Europe, North America, etc..

Juan Vargues: Remember that we are one that we are reporting a couple of weeks, and the only thing I can refer is obviously to what they are communicating. We see that if we look at our customers, they are reporting high numbers on the OEM side, and they are reporting low numbers on the service and aftermarket side.

Johan Eliason: Excellent. Thank you very much.

Juan Vargues: You are welcome.

Rikard Tunedal: Thank you. Juan, I jump in here with a few web questions. The first one is from Iverson. The question is, it looks like the mobile cooling and mobile power port, previously the Port of America semi and Apex Marine. Significant margin drop in 2023. What are the key drivers and what should we expect coming in the next three years?

Juan Vargues: I mean drivers are basically two on one side or three. I would say on one side is volume on the second side. Of course, we have seen that in any kind of consumer business. That's a pure consumer business. The second reason is really inventories on the cost that we have for warehousing. I still remember we have been talking about warehousing costs in both EMEA and the Americas. You think about cooling boxes, they take up a lot of space. Of course they are more penalized than other products.

Stefan Fristedt: They are sitting exactly in that supply chain from Asia to Europe and to America.

Juan Vargues: Thirdly, both in connection to the acquisition but also mobile solutions, we believe that innovation is critical. We have been investing and we keep investing in mobile cooling, in developing both passive cooling boxes and RAM as well, and active cooling boxes under the ground. We are starting to launch those products. Of course, you have an extra cost and extra investment to develop the products before we see the sales. The same is valid for mobile power solutions on one side. Of course, we are talking about the smaller companies and we are investing in developing our own IP of products. We see that as a temporary margin drop driven by volume, driven by the extra warehouses, and then driven by the extra pro-development costs that we have just now.

Rikard Tunedal: Thank you and a few more questions here on the web from Agnieszka. Nordea. I noticed that mobile cooling declined organically in 2022. Also in '22, do you still consider this business as relatively more resilient than your other exposures?

Juan Vargues: Yes. We have no candidates.

Stefan Fristedt: It's kind of a specific reason why it declined. Absolutely.

Juan Vargues: We have a pandemic every 100 years. I mean, we have seen both on the Dometic side and we have seen on the Igloo side that they will go back to the period pre-Lehman Brothers. It has been if you look at the Igloo, they never had any negative organic growth. You look at the Dometic side. It has been the same. I think that we have a strong energy situation with the pandemic created in the post-pandemic era.

Rikard Tunedal: Another one from Agnieszka. Do you have any specific EBITA margin aspirations for each of your segments that you can share?

Juan Vargues: We have aspirations that we don't share. That's right. All of you where we are coming from, you know, that we have financial targets. It is, I think, very, very easy. I would say two very, very high-margin businesses in APAC and marine. We have EMEA that we need to get into group margins. We have mobile cooling that will be middle-size double-digit as we announced from the beginning. We have mobile power solutions and global that will be also high. Then we have Americas that we need to lift into those mid-double digits. The business is something new I think is more of what we have communicated from the beginning. All that together will lift us to our financial targets.

Rikard Tunedal: Thank you. One more question here from Henrik, from Carnegie. could you provide a split of OEM versus servicing of the market in the various segments to get a better sense of cyclicity in the various segments?

Juan Vargues: Is a bit difficult because we have different combinations even within vehicles. If you look at vehicles, it's clear that EMEA is the less exposed and we have some alone, which are pure consumer products, while you have also the CPV, which is for us, the cyclical from the perspective of the product, where the underlying business is growing all the time, the penetration of the product, the cooling compartments is growing all the time. If you look at the RV side, the aftermarket connected to the other side is very similar across the different continents. Then marine historically has been 50/50, 45/55. Then the last couple of years since the OEM side has been growing so dramatically in connection with the pandemic and the backlog, we have been lowered on some. We are expecting that to recover and to be again, 50/50, 45/55. What we are doing at the RV site is more that 65 percent OEM, 35 percent RV.

Rikard Tunedal: Thank you. One question here on the APAC segment, the 31 percent EBITDA margin is quite high. Is this resilient? What is driving this? I think you partly answered that before, but maybe you can repeat it.

Juan Vargues: No, but I think we have a competitive arena, which is pretty unique. It

is clear. We have another factor, which I think is important that is supporting us is the Australian market as such is also changing. We have seen a lot of Chinese imports as RV imports. We have also a strong organization in China that has been equipping those vehicles from the beginning. At the same time, once they reach the vehicles and reach Australia has very, very strong regulations, which means that they have to be equipped with Australian-approved products from a safety perspective, and that benefits us big time. Even if the vehicles are Chinese, the equipment has to be approved. We have all the approvals and the services are in place. I think that the Australian market is very unique again, you never know. Obviously, we are going to get tons of different competitors in the coming five years, but so far we haven't seen that.

Stefan Fristedt: To add, Australia is an early adopter market. It's where many new trends are emerging. From that point of view, it's a market whether it's coming out a lot of new products obviously. I think the answer is that we feel that it is a high margin, but the visa absolutely pathways to keep that profitability level.

Juan Vargues: Of course, that 31 percent is extreme weather. It is 31 percent or 27 percent is a little bit more difficult to tell, but it is a high margin area reward without any doubt. I have to say, is not unique for this industry. I have been working for another different industry, and we always have higher margins in that part of the world, especially when you have 80 percent of the iPad business in the Pacific. It would be different if we had 80 percent of the business in Asia.

Rikard Tunedal: Thank you. The last web question we have here is, this is the third reset in four years. Is this the last one?

Juan Vargues: For the time being. As I mentioned before, this third is really I would love to also move from land vehicles into products, global products. But by the way, the American RV industry looks in comparison to Europe in comparison to today is different. We see a trend in America where vehicles are becoming smaller. We see Asia, which has a lot of SUVs coming in. This might be changing in the future. Then we will need to rethink. Again, if I could have a big bang and create global groups, I would do it because I believe that we have much more in common in that area, and that will give us more expansion opportunities by using the same technology, same products, vertical by vertical, instead of being as dependent as we are on a few verticals. Again that's the intention to continue. We don't have anything inside just now. That might be a combination of how the markets develop at the same time as what areas could we divest tomorrow.

Rikard Tunedal: Thank you. That was the last Webb question. Over to you, Malin.

Operator: As a reminder, if you wish to ask a question, please dial star five on your

telephone keypad. The next question comes from Johan Eliason from Kepler Cheuvreux. Please go ahead.

Johan Eliason: Yeah. Hi. Are you one here again? Just a little bit of follow-up on this M&A. It is an important part of your growth target of 10 percent on the top line. Is there any area you mentioned solar power obviously being one such? If you look at the EV segments or the marine or mobile cooling, is there any specific area where you see a significant M&A opportunity?

Juan Vargues: Yes, we do. You go back to what we did, 20, 21, 22. We also acquired a number of companies in the other stand-alone, meaning portable products. We believe that's also a very interesting area with growth, high growth opportunities, with high margin opportunities, where we have seen the companies that we acquired developing nicely despite tough market conditions and where we would like to become much more global, where it's very much about reducing exposure to a few verticals, as we have been talking about. You have clear touching ground between what we are doing on the RV side by side, but also the fast-growing automotive. I think we have been talking about, the SUV, the pickup market where we have a lot of space to fill the trunk on the front with portable products coming from us.

Juan Vargues: We see on one side mobile power solutions on the other side, standalone products. Then from a marine perspective, it's really interesting as well. We see very much doing what we are doing. Looking for steering systems. Looking for ride and handling products in other parts of the world. We can complement obviously what we are doing in North America, so what?

Johan Eliason: Excellent. Thank you.

Juan Vargues: You are welcome.

Rikard Tunedal: I think that was the last question that we had. We would like to turn this call. Any final words from.

Juan Vargues: Not. Thank you very much for your attention. I fully understand the questions on whether this is going to be the last time. I cannot promise that. What I can assure you is that we are doing our best to bring even more transparency to the business and more understanding of how it looks like. Hopefully, you get some more understanding after this call that it is really about getting deeper and deeper into each of our businesses to see that we have good opportunities to develop both from a role perspective and a stability perspective. Thank you very much for your attention. Talk to you soon again. Thank you.