

# DOMETIC Q2 2023 REPORT

JULY 18, 2023







# **JUAN VARGUES**

**PRESIDENT & CEO**

# Q2 2023 HIGHLIGHTS

## SOLID EARNINGS AND RECORD-HIGH OPERATING CASH FLOW

### Market development

- Macro environment and market conditions remain challenging. Inflation and interest rates create market uncertainty and shortens visibility
- RV industry production in the US flattened out sequentially, -50% compared to last year
- High retail inventory levels in Service & Aftermarket - on the way down

### Performance

- -10% organic sales growth
  - Mainly due to Segment Americas -35%
  - OEM outside Americas shows continued growth
  - Service & Aftermarket -10%, an improvement vs Q1
- EBITA margin before i.a.c. 14.1% (15.7%)
  - Decline driven by Americas
  - Improvements in EMEA, but still below last year
  - Solid margins in APAC and Marine
  - Strong improvement in segment Global driven by Igloo
- Record-high operating cash flow
  - Driven by continued inventory reductions





# Q2 2023 FINANCIAL SUMMARY

## Net sales of SEK 8,329 m, -2% total growth

- -10% Organic
- +8% FX
- 0% M&A

## EBITA before i.a.c. of SEK 1,177 m (1,330)

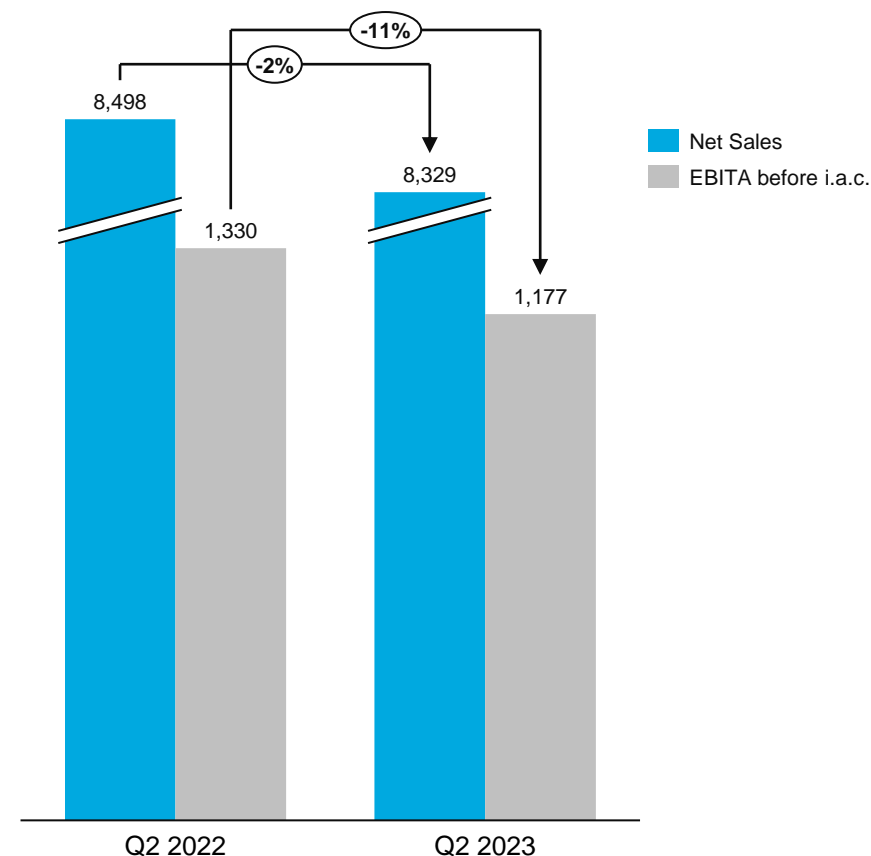
- EBITA margin of 14.1% (15.7%)

## Operating cash flow of SEK 2,299 m (738)

Leverage remain as in Q1 2023 at 3.2x

EPS of SEK 1.67 (2.59)

Adjusted EPS of SEK 2.11 (2.97)



# YTD JUNE 2023 FINANCIAL SUMMARY

## Net sales of SEK 15,618 m, -2% total growth

- -11% Organic
- +8% FX
- 0% M&A

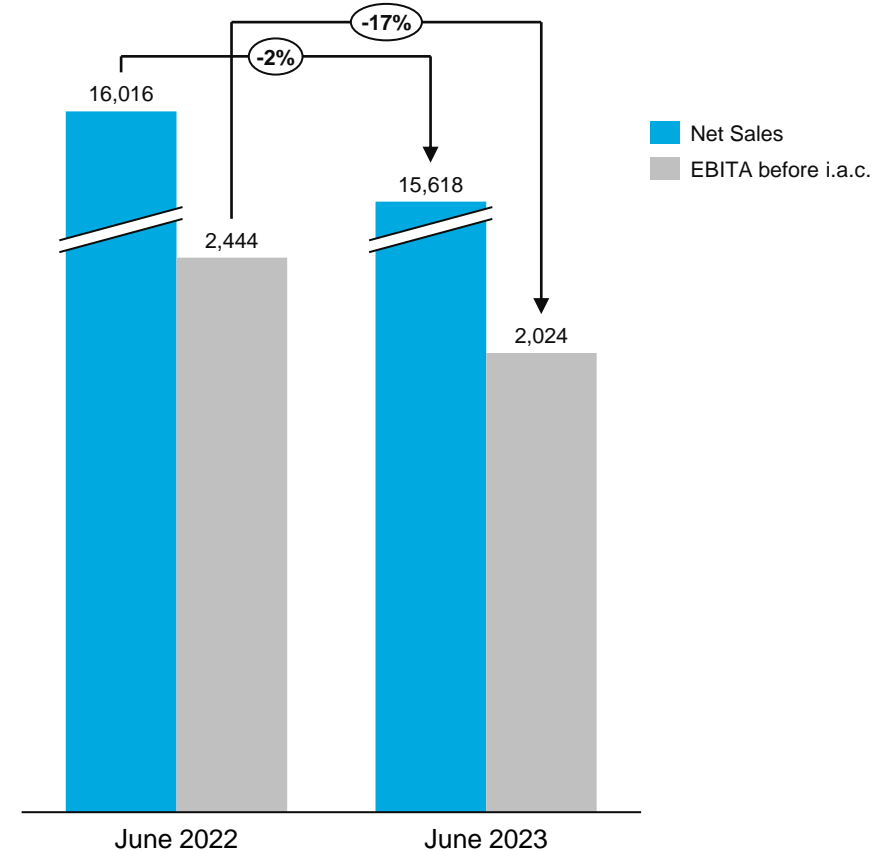
## EBITA before i.a.c. of SEK 2,024 m (2,444)

- EBITA margin of 13.0% (15.3%)

## Operating cash flow of SEK 2,593 m (339)

## EPS of SEK 2.72 (4.13)

## Adjusted EPS of SEK 3.55 (5.25)



# SALES GROWTH Q2 2023

## Q2 2023

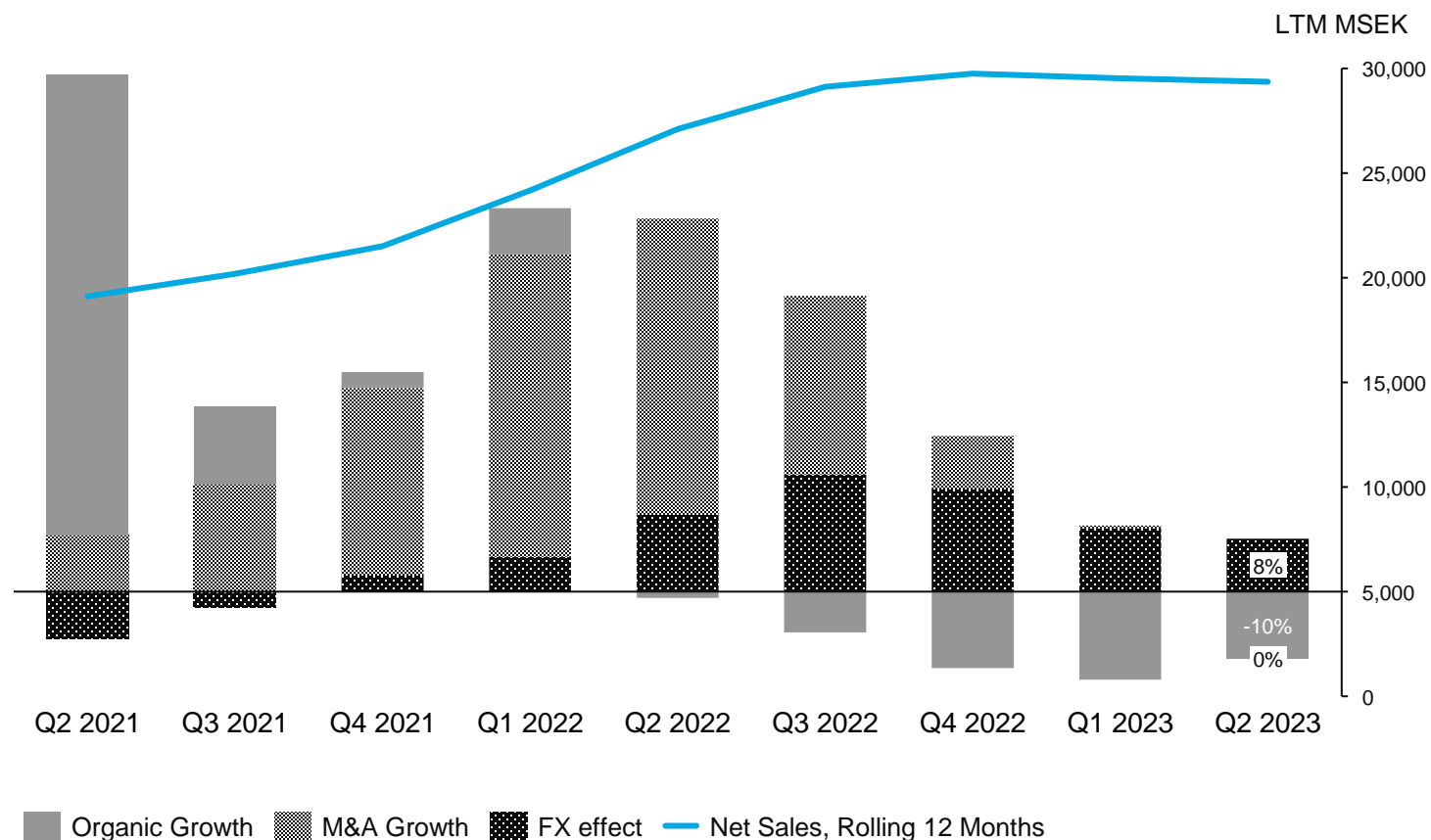
Net Sales SEK 8,329 m

### ▪ Total Growth -2%

- Americas -27%
- APAC 0%
- Global +4%
- EMEA +5%
- Marine +10%

### ▪ Organic Growth -10%

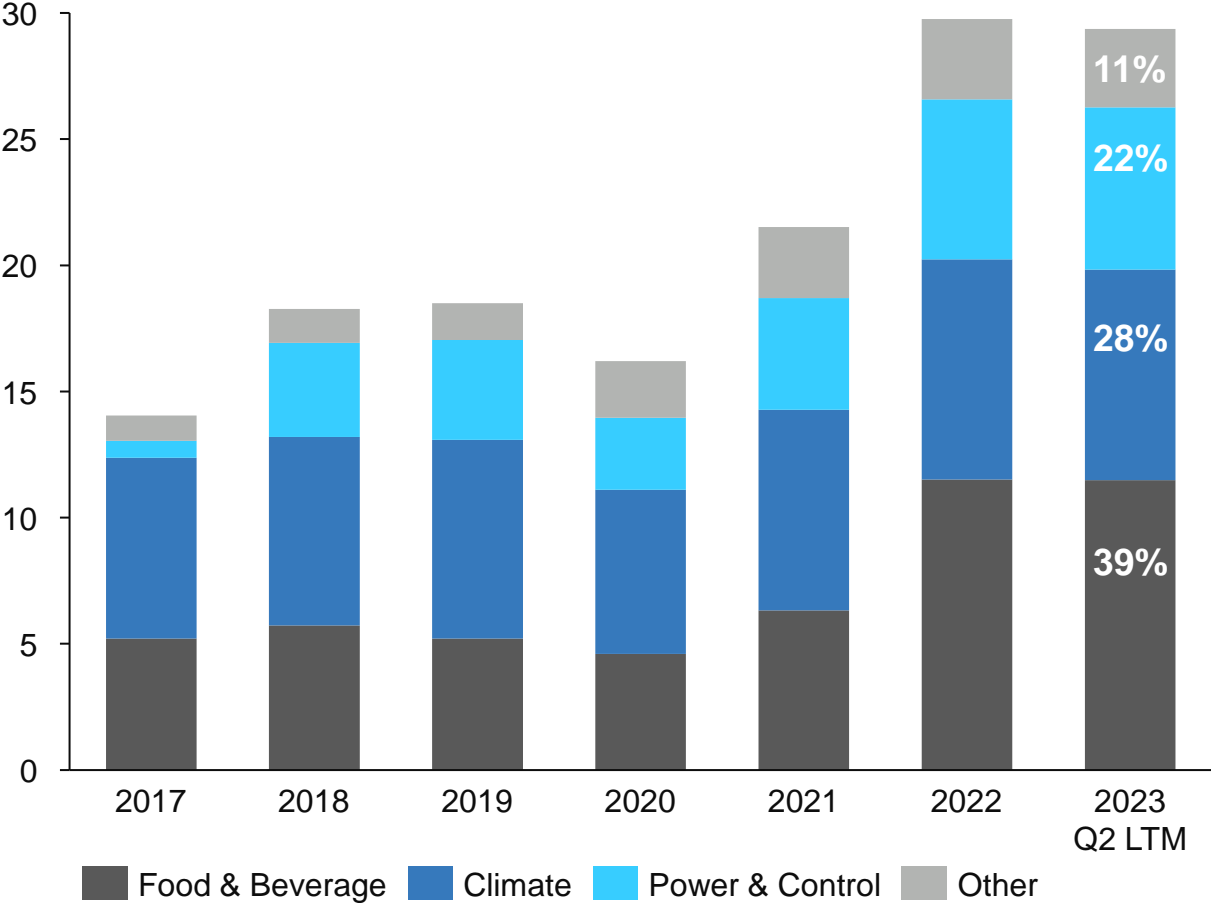
- Americas -35%
- Global -5%
- EMEA -4%
- APAC -3%
- Marine +3%



# NET SALES BY APPLICATION AREA, SEK B

## LONG TERM GROWTH DRIVEN BY POWER & CONTROL AND FOOD & BEVERAGE

SEK B

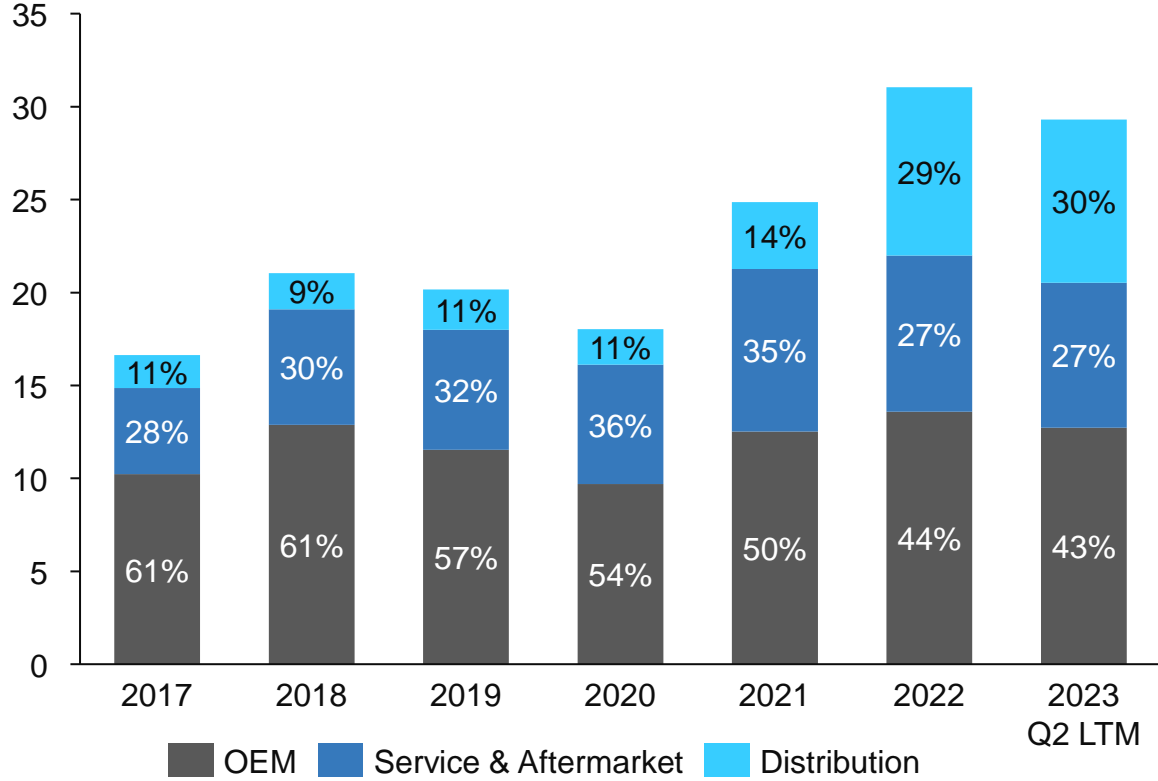


- Other Applications
  - Mainly sanitation and safety products
  - Driven by RV and CPV
- Power & Control
  - Strong performance in Marine Steering Systems
  - Structural growth in Mobile Power Solutions
  - Driven by RV, Marine and Outdoor Standalone
- Climate
  - Ongoing ramp up of new A/C portfolio
  - Driven by RV, Marine and Outdoor Standalone
- Food & Beverage
  - Growth in Mobile Cooling, including Igloo
  - Driven by RV, CPV, Outdoor Standalone, Hospitality and Residential

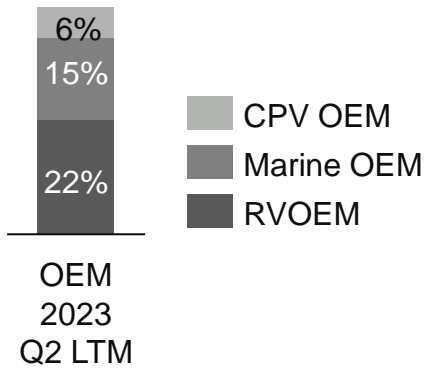
# NET SALES BY SALES CHANNEL, SEK B

## MORE DIVERSIFIED AND RESILIENT SALES MIX

SEK B

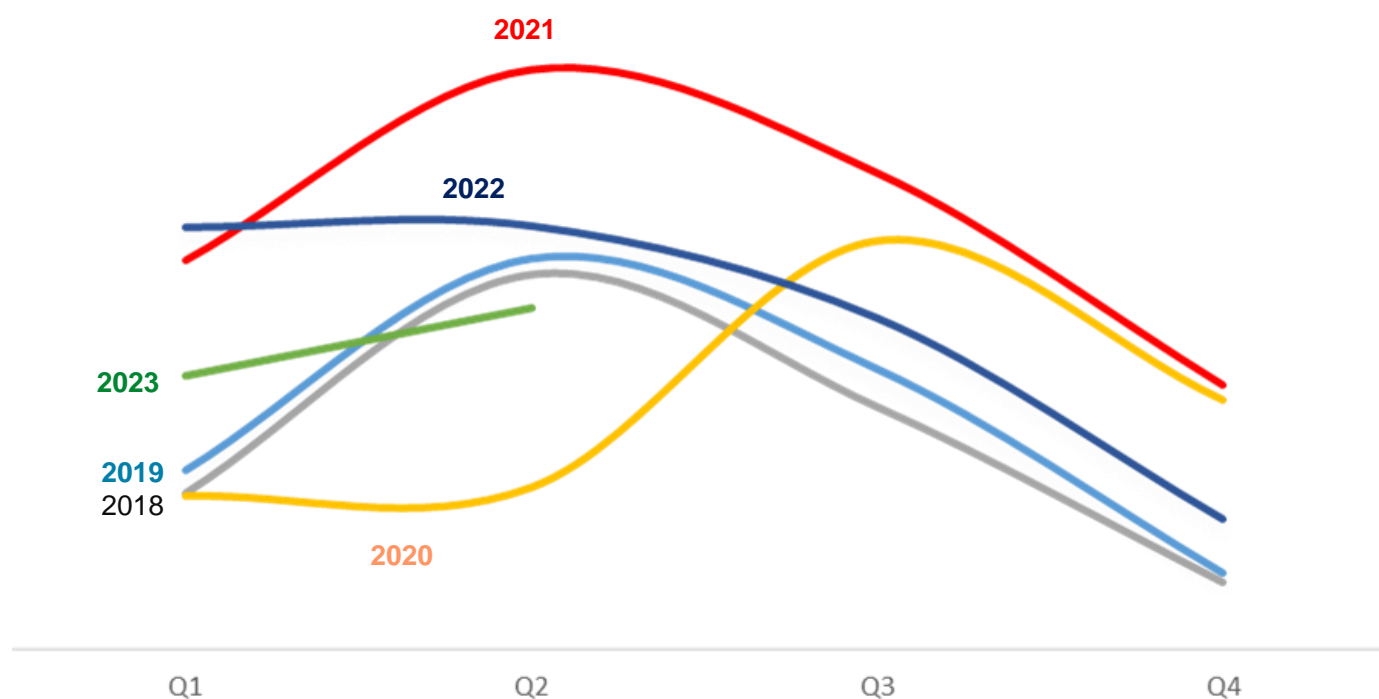


▪ RV OEM now 22% of Group sales vs 49% in 2017





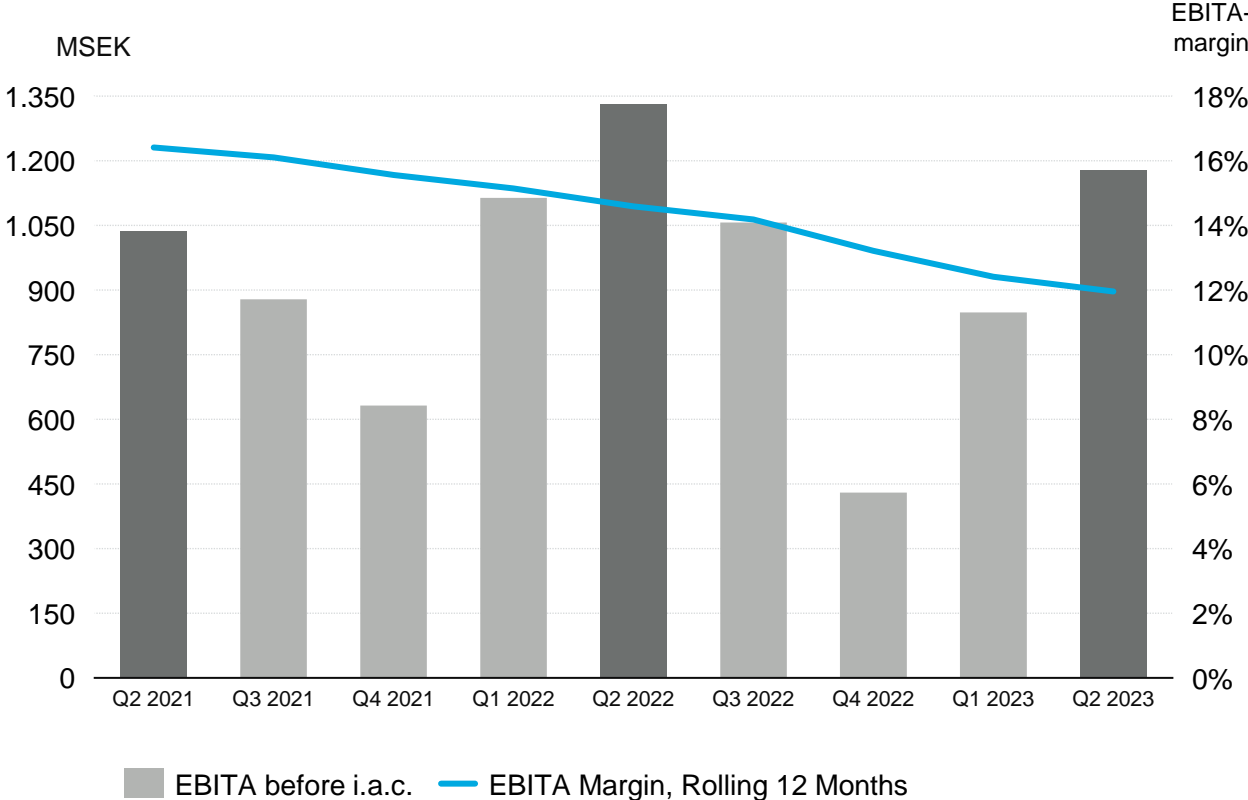
# SERVICE & AFTERMARKET SALES



- Retailers are destocking after high consumer demand and large purchases in 2021 and Q1 2022
- Q2 2023 organic decline -10% compared to:
  - -19% in Q1 2023
  - -22% in Q4 2022
- Continued gradual recovery expected coming quarters
  - Marine and APAC positive vs Q2 last year

# EBITA AND EBITA MARGIN BEFORE I.A.C

EBITA before i.a.c Rolling 12 months 12.0% (14.6%)



## Q2 2023

### EBITA before i.a.c margin 14.1% (15.7%)

- Decline mainly related to segment Americas due to significantly lower net sales
- EMEA improved sequentially but remain below last year. Impacted by sales mix, extra logistic cost and lower efficiency due to factory move
- + Improved margins in segment Global driven by Igloo

YoY decline -1.6% compared to -3.2% in Q1



# AMERICAS Q2 2023

**Net sales SEK 1,415 m, -27%**

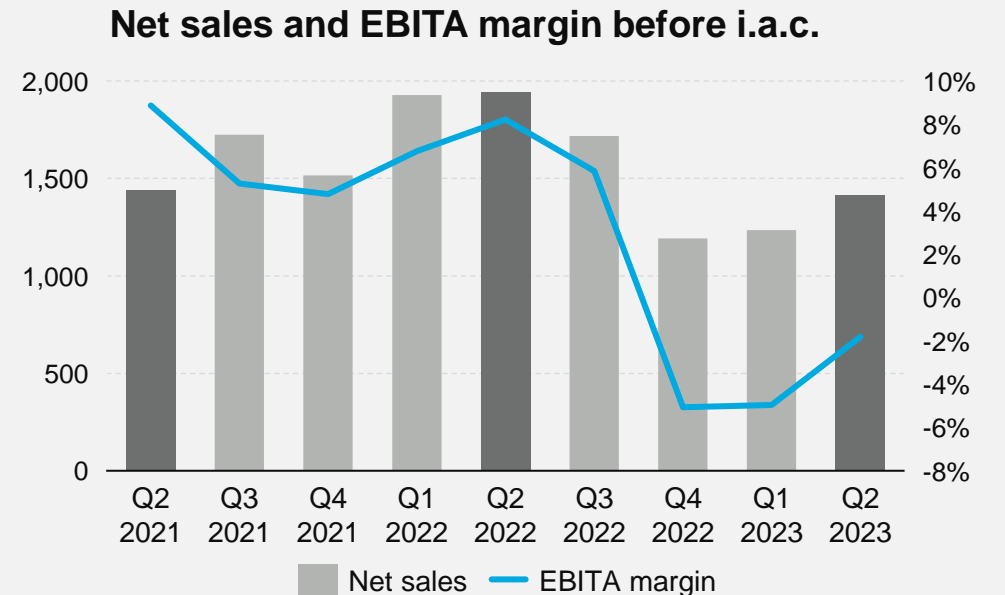
- Organic growth -35%
- Significantly reduced RV production
- Service & Aftermarket below last year, but improved trend

**EBITA before i.a.c. SEK -26 m (160)**

- EBITA Margin -1.8% (8.2%)
- Impact from significant sales decline, partly offset by cost reductions

## Strategic highlights

- Improvement actions include rightsizing activities as well as selective price management activities



# EMEA Q2 2023

## Net sales SEK 2,428 m, +5%

- Organic growth -4%
- Double-digit organic growth in OEM
- Service & Aftermarket sales remain low but improved trend

## EBITA before i.a.c. SEK 312 m (352)

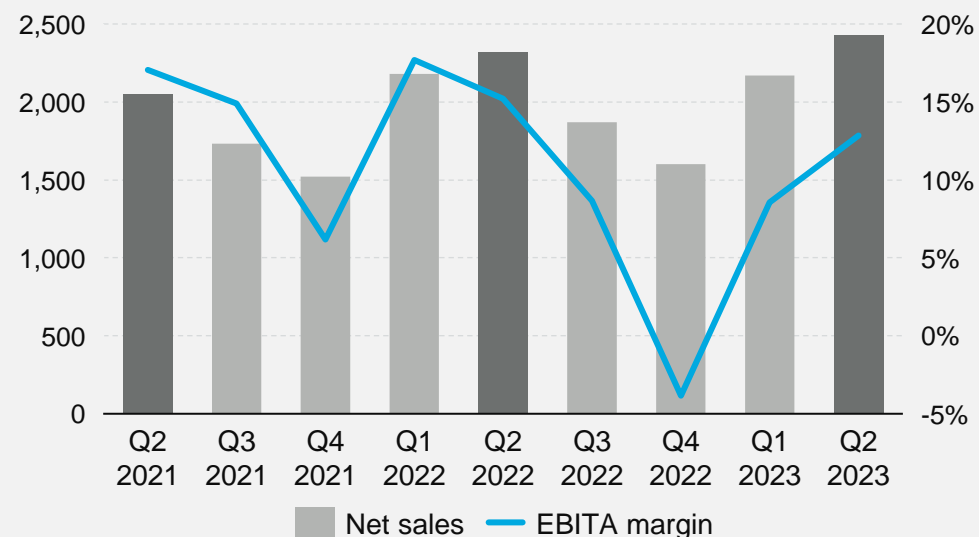
- EBITA Margin 12.8% (15.2%)
- Sales mix impact EBITA margin negatively
- Logistic costs are trending down, still negative impact
- Inefficiencies in manufacturing

## Strategic highlights

- Factory in Siegen closed as planned on June 30, 2023
- Improvement actions include rightsizing activities as well as selective price management activities



Net sales and EBITA margin before i.a.c.





# APAC Q2 2023

## Net sales SEK 522 m, 0%

- Organic growth -3%
- Double-digit organic growth in OEM
- Service & Aftermarket slightly up. Distribution sales below last year

## EBITA before i.a.c. SEK 130 m (136)

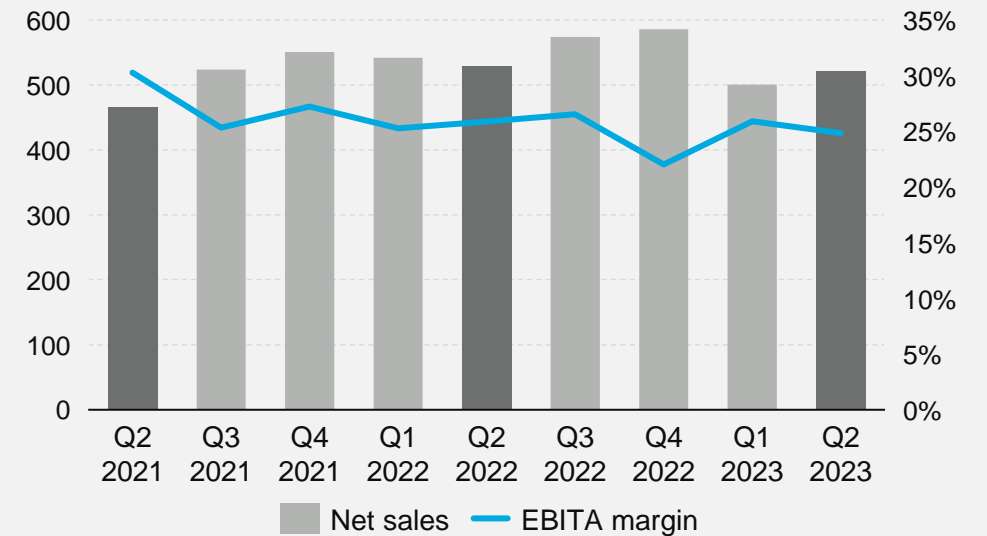
- EBITA Margin 24.8% (26.0%)
- Sales mix and investments in strategic areas impact EBITA margin negatively

## Strategic highlights

- The acquired Mobile Power business continues to perform well



Net sales and EBITA margin before i.a.c.



# MARINE Q2 2023

**Net sales SEK 1,922 m, +10%**

- Organic growth +3%
- Organic growth driven by OEM. Service & Aftermarket slightly up

**EBITA before i.a.c. SEK 495 m (485)**

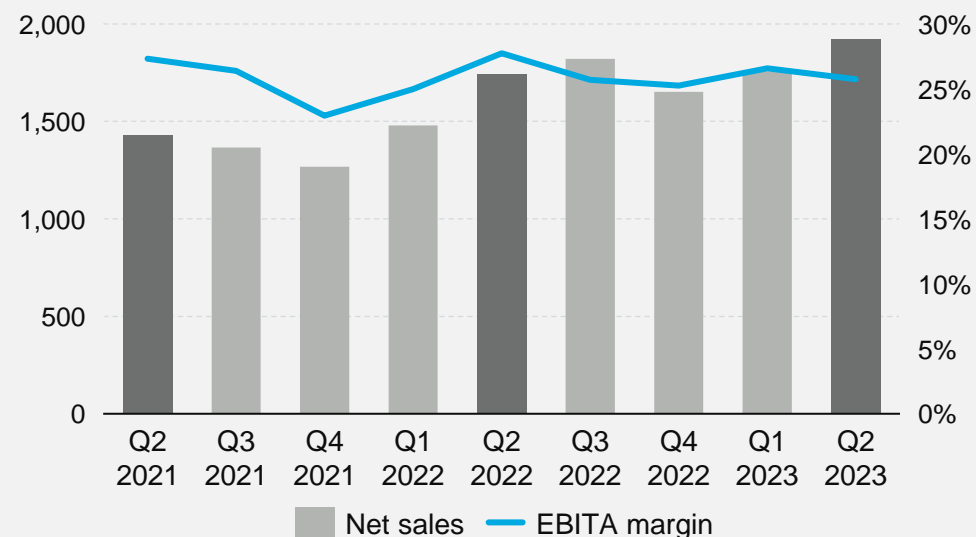
- EBITA Margin 25.8% (27.7%)
- Negative sales mix
- Q2 2022 a tough comparison

## Strategic highlights

- Product innovation and technology shift in steering systems drives and increased Dometic content per boat



**Net sales and EBITA margin before i.a.c.**





# GLOBAL Q2 2023

## Net sales SEK 2,042 m, +4%

- Organic growth -5%
- Decline in Other Global Verticals. Residential down compared to a strong 1H 2022.
- Hospitality organic sales stable
- Igloo shows low-single digit organic sales decline

## EBITA before i.a.c. SEK 267 m (197)

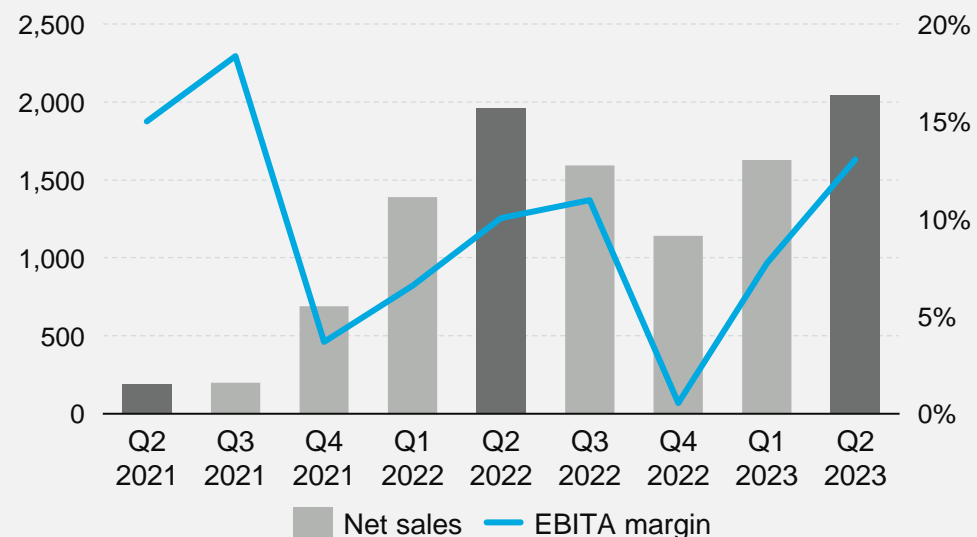
- EBITA Margin 13.1% (10.0%)
- SEK 33 m in one-time positive effect
- Igloo margin significantly improved
- Continued strong performance in Hospitality

## Strategic highlights

- Introduction new Igloo product range in Europe and APAC
- Forming a Global Mobile Cooling organization – subsegment in segment Global from Q1 2024 reporting



Net sales and EBITA margin before i.a.c.



# MOBILE COOLING

## IGLOO PRODUCTS INTRODUCED IN EMEA



- Igloo EMEA organization up and running
- Igloo Coolers showcased in the EMEA market at a leading industry event ISPO Munich 2023
- Displayed a wide selection of products, including coolers made with recycled materials



# IGLOO ICF COOLERS

## THE FIRST IGLOO COMPRESSOR COOLER

- Replaces Mobicool MCF Series
- 5 sizes – 18, 32, 40, 60 and 80L
- Launching October 2023 in Australia
- January 2024 in US and EMEA





# IGLOO TE COOLERS

## NEW THERMO-ELECTRIC COOLERS FOR 2024

- Replaces Mobilcool TE coolers
- 3 sizes – 24, 27 and 42L Wheeled
- Launching Q1 2024 in EMEA



# THE DOMETIC FRESHJET PLATFORM

## STRONG UPTAKE OF OUR NEW SERIES OF ROOFTOP AIR CONDITIONERS

- **A global platform of air conditioners for the RV industry**

Environmentally friendly, significant benefits for end users

- Cooling capacity +48%
- Noise reduction -11%
- Size -34%
- Weight -14%
- Energy consumption -38%
- CO2 impact -70%

- **Modularized - different features for different customer needs**

# of SKUs -50%

- **Series Launch plan**

- **Series 3**

Launched in Americas in Q4 2022

- **Series 4**

Launched in EMEA and APAC 1H 2023. In Americas 2H 2023

- **Series 7**

First launch in APAC in 1H 2023

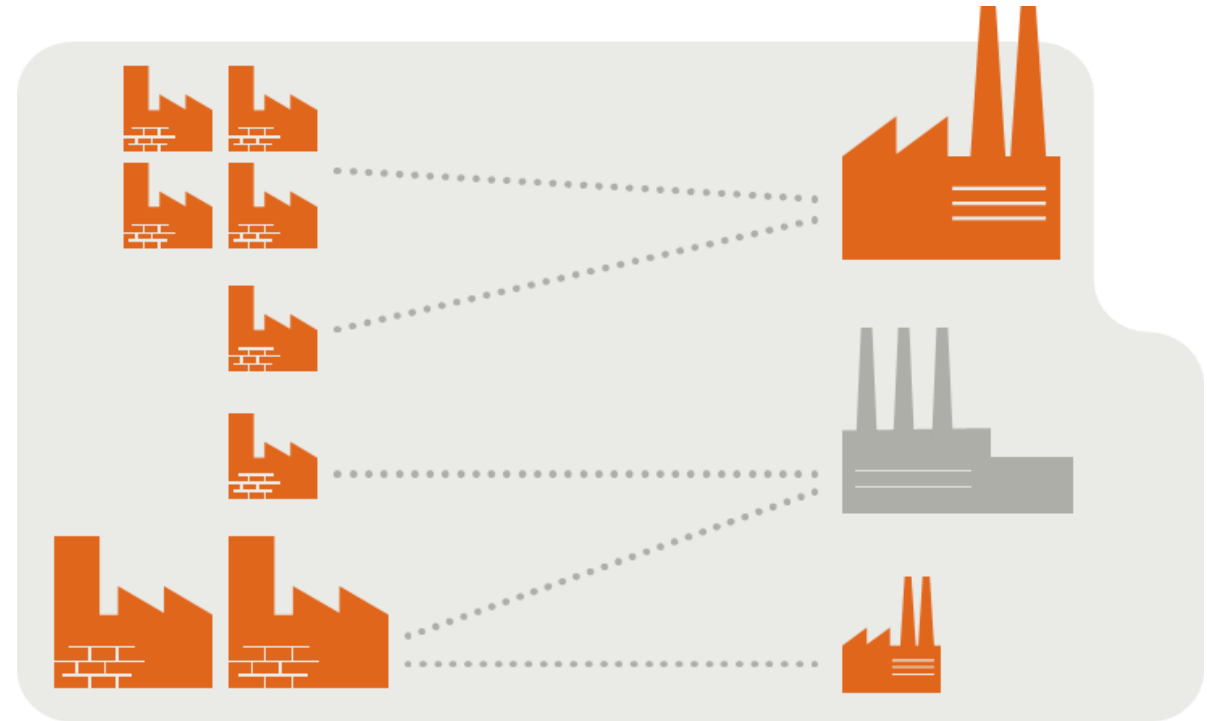
- **Series 5**

To be launched in 2024



# COST REDUCTIONS

- **Two ongoing programs**
  - Initial program announced 2019
  - Next phase announced 2022
  - Combined annual target saving of SEK 600 m by the end of 2023
  - Combined cost estimated to SEK -950 m
- **Cost in the quarter SEK -31 m. YTD SEK -49 m**
  - Closed manufacturing in Siegen, Germany. Provision booked in 2022
- **Total cost of SEK -867 m since start. 1,800 employees affected**
- **SEK 425 m in runrate saving as of Q2 2023**





# SUSTAINABILITY

- **LTIFR<sup>1)</sup> better than target, temporarily above last year**
  - The number of injuries have decreased compared to last year
  - Implementation of Health & Safety guidelines continues
- **Share of female managers improved to 26% (23%)**
  - Action plans are generating results
- **CO<sub>2</sub> ratio reduced 43%, better than 2024 target**
  - Driven by transition to renewable electricity supply
- **ESG audits of new suppliers 100%, above target of >90%**

KPI	Focus area	Actual	Actual last year	2024 Target
LTIFR <sup>1)</sup>	People	1.9	1.7	<2.0
Share of female managers	People	26%	23%	27%
CO <sub>2</sub> tonne / Net sales SEK m	Planet	-43%	-31%	-30%
ESG audits of new suppliers	Governance	100%	100%	>90%

## OUR FOCUS AREAS AND AMBITIONS



PEOPLE

Offer a safe, inclusive, diverse and dynamic workplace – allowing every employee to reach their full potential for the best of the company as a whole.



PLANET

Sustainable Innovation  
– Offer innovative, durable, circular, low carbon products

Sustainable Operation  
– Minimize climate impact, increase resource efficiency & support circularity.



GOVERNANCE

Safeguard human rights at all times while pursuing fair business and labor practices.

<sup>1)</sup> LTIFR = Lost time injury frequency rate  
see Annual and Sustainability report for definitions



# **STEFAN FRISTEDT**

**CFO**

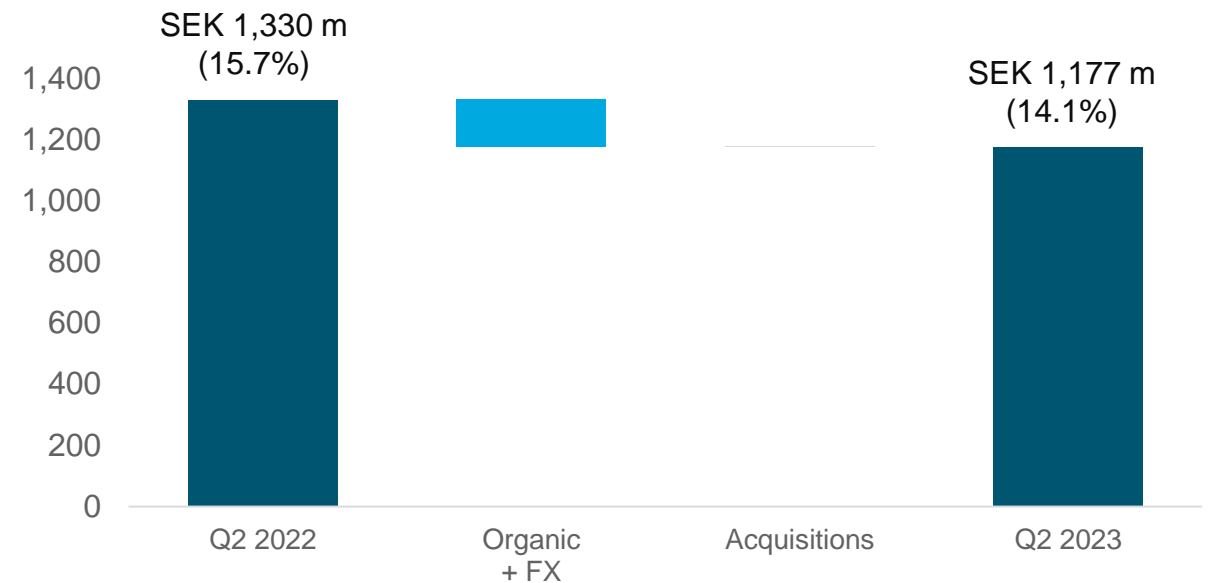
# Q2 EBITA DEVELOPMENT

## ▪ Organic + FX

- Lower net sales, mainly segment Americas
- Logistic costs and manufacturing inefficiencies in EMEA
- SG&A expenses slightly up excluding FX, sales & marketing investments in strategic structural growth areas
- Investments in R&D
- Cost reductions contribute positively
- One-time positive effect of SEK 33 m in segment Global
- Positive impact from FX on EBITA, mainly translation effects

## ▪ No effect from acquisitions

EBITA before i.a.c. SEK m (% of sales)





# CASH FLOW FOR THE PERIOD

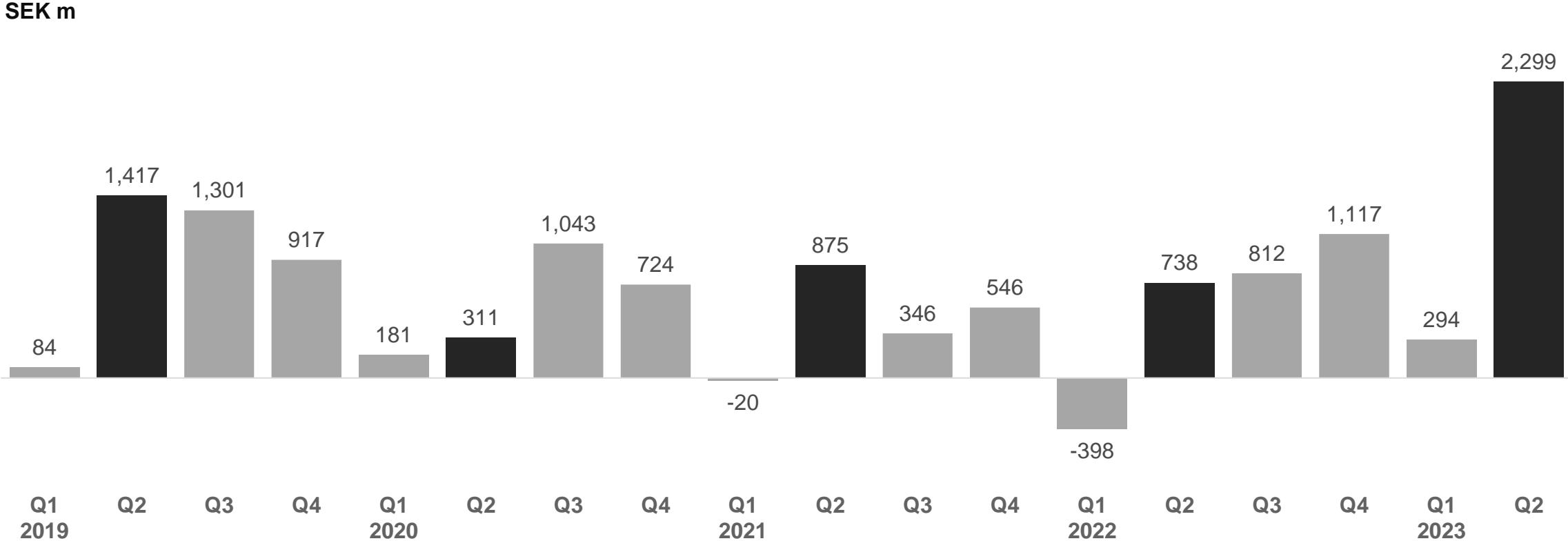
## Q2 2023

- Operating cash flow SEK 2,299 m (738)
  - Improvement driven by reduced inventories
- Acquisitions SEK -418 m
  - Payment of earn-outs related to previous years acquisitions (not Igloo)
- Net cash from financing SEK 548 m
  - Dividend, SEK -415 m
  - Paid/received interest net, SEK -258 m
  - Private placement 3.25 years bond, SEK 750 m
  - Svensk Exportkredit & bank loan announced in Q1, USD 54 m

SEK m	Q2 2023	Q2 2022	Jan-June 2023	Jan-June 2022
EBIT	985	1,166	1,652	1,978
Adjustments for non-cash items	573	563	970	936
Changes in Working Capital	864	-876	203	-2,346
Investments in fixed assets	-122	-114	-232	-229
<b>Operating cash flow</b>	<b>2,299</b>	<b>738</b>	<b>2,593</b>	<b>339</b>
Income tax paid	-209	-252	-408	-386
Acquisitions/divestments net	-418	3	-418	-625
Other	1	-4	-3	1
Net cash flow from financing	548	-127	419	-277
<b>Cash flow for the period</b>	<b>2,221</b>	<b>358</b>	<b>2,184</b>	<b>-947</b>

# RECORD-HIGH OPERATING CASH FLOW

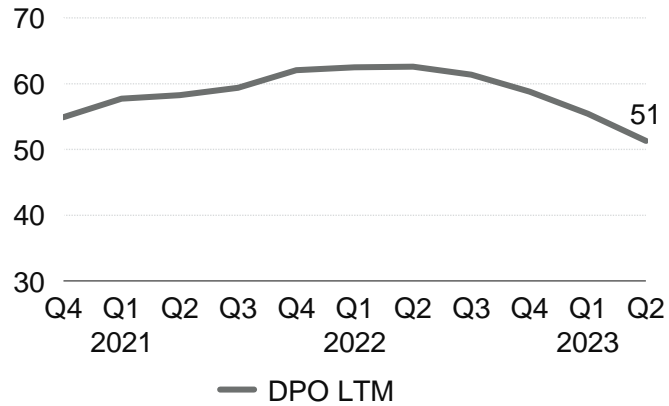
YEAR OVER YEAR IMPROVEMENT FOUR QUARTERS IN A ROW



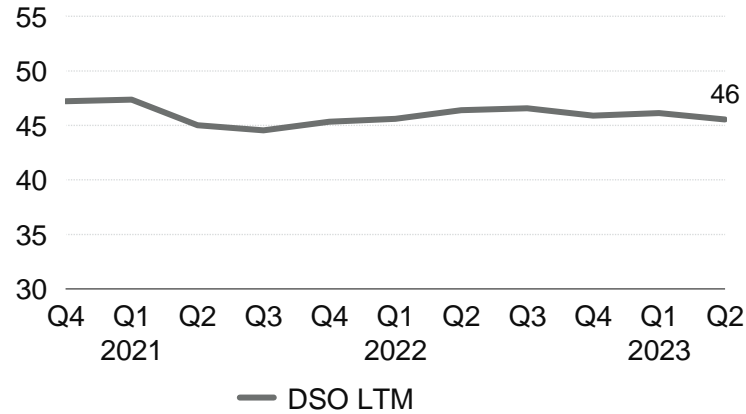
# WORKING CAPITAL

## INVENTORIES CONTINUE TO DECLINE SEQUENTIALLY

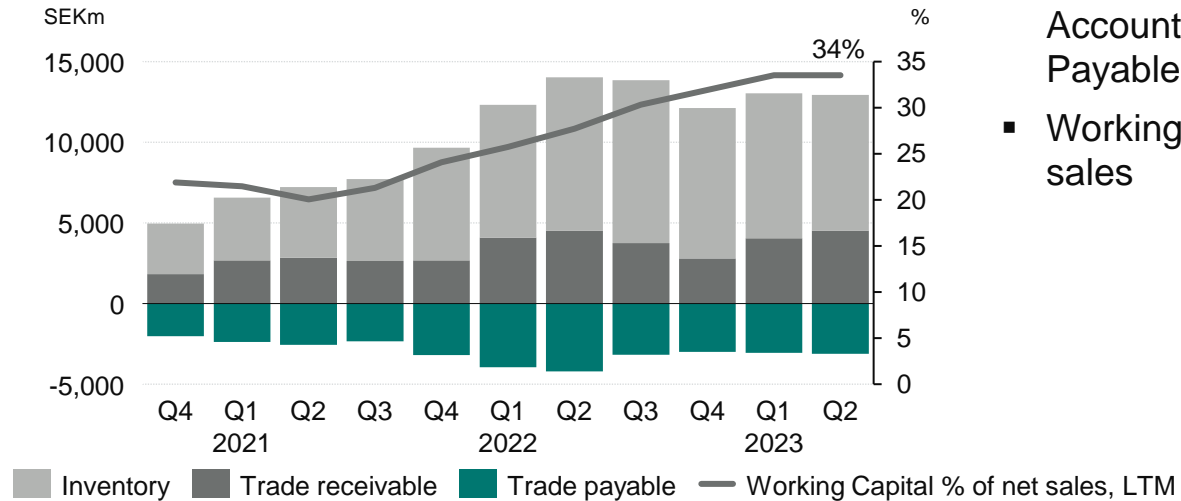
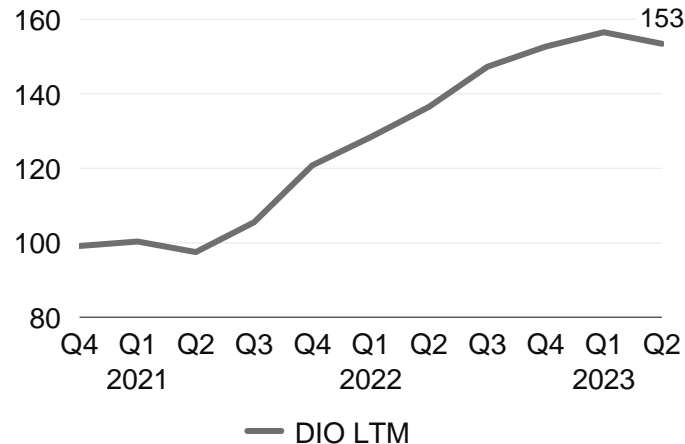
### ACCOUNTS PAYABLES DAYS



### ACCOUNTS RECEIVABLES DAYS



### INVENTORIES DAYS



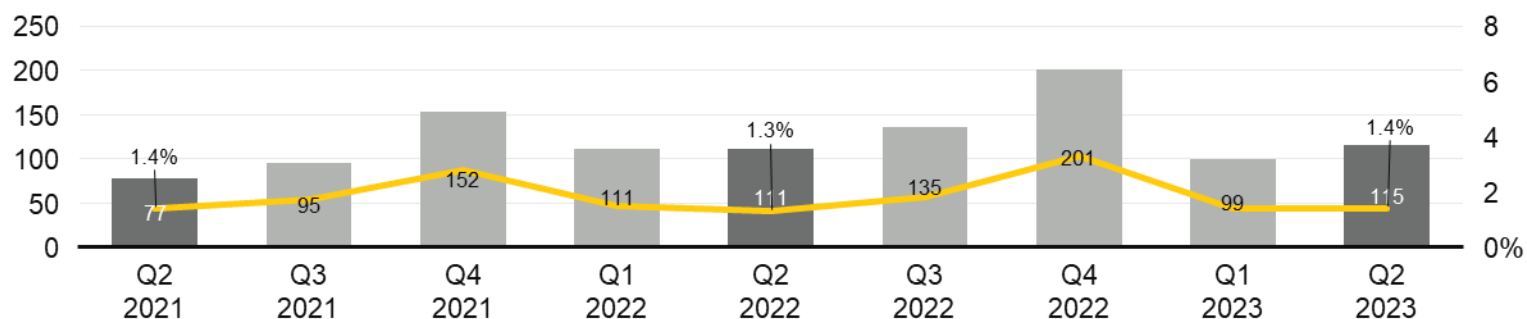
- Working capital 34% (28%) of net sales due to Inventories
- Inventory balance SEK 8,4 b (9,5)
  - Operational improvements more than offsetting negative FX impact of SEK 0,5 b
  - Continued sequential decline since Q3 2022
  - # of days are decreasing
- Continuous actions to optimize Accounts Receivables and Payables
- Working capital target 20% of net sales



# CAPEX AND RESEARCH & DEVELOPMENT

(SEK m, % OF NET SALES)

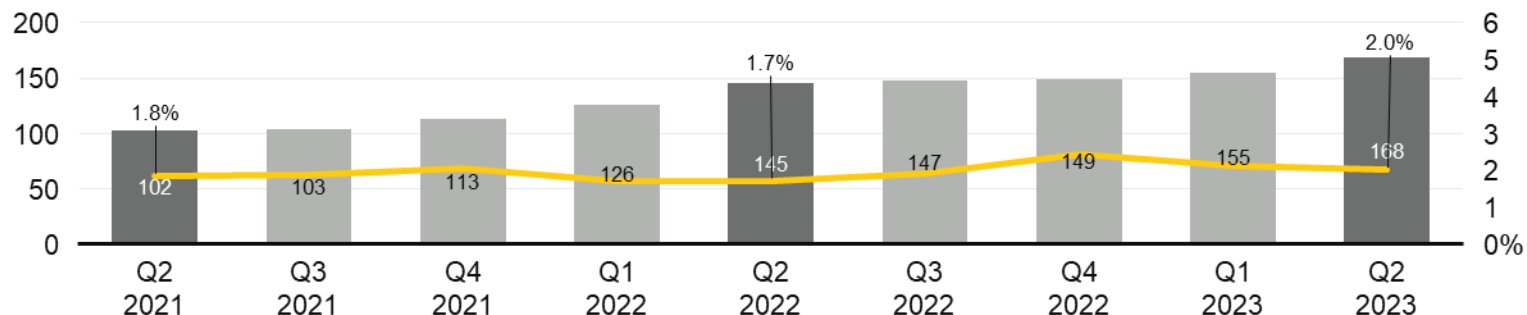
## CAPEX



### Q2 2023 CAPEX

1.4% (1.3%) of net sales

## R&D

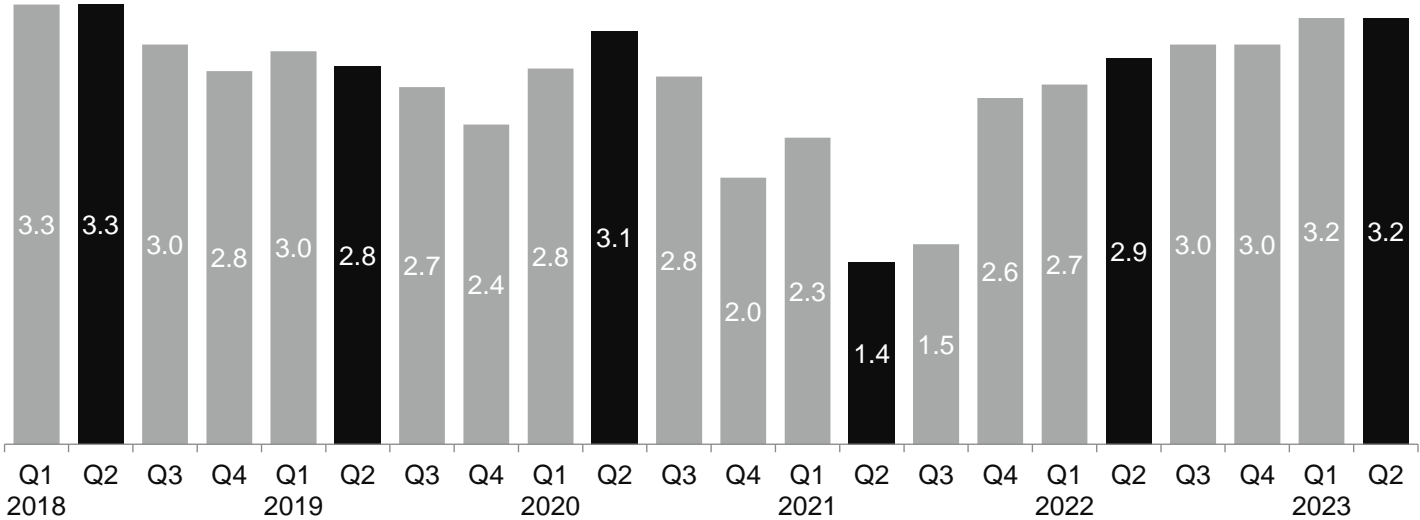


### Q2 2023 R&D

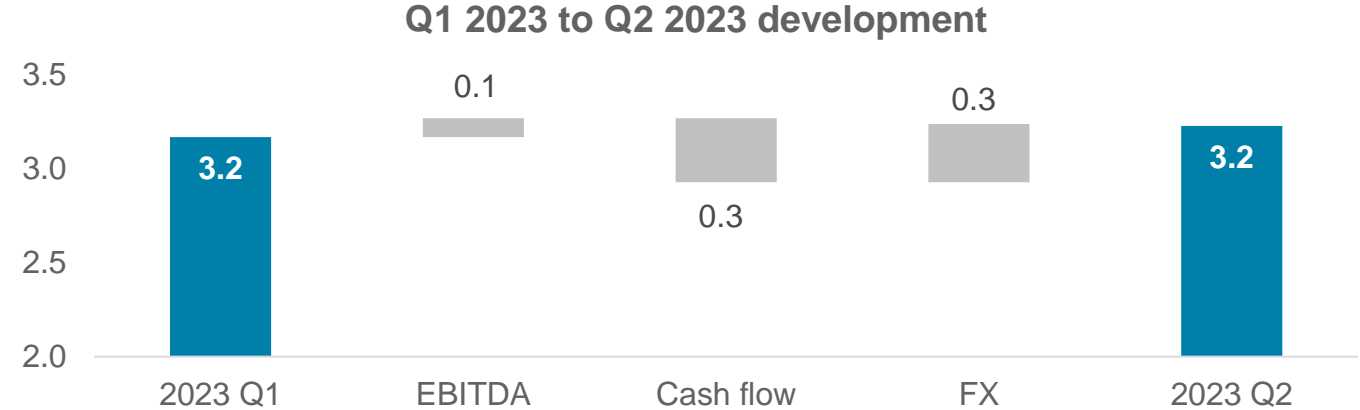
2.0% (1.7%) of net sales

Includes capitalized development expenses of SEK 7 m

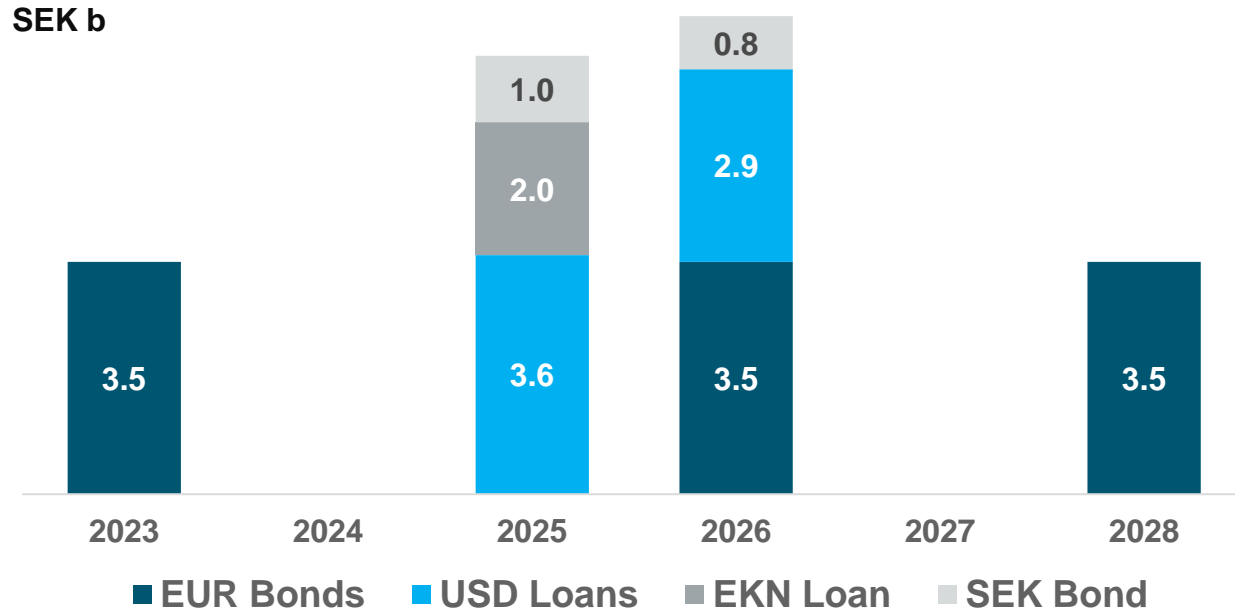
# NET DEBT TO EBITDA LEVERAGE



- Net debt leverage ratio remains at 3.2x
  - Negative effect from FX impact on debt
  - Offset by strong operating cash flow
  - Adequate headroom to covenants
  
- Committed on achieving our leverage target of around 2.5x
  
- Items impacting going forward
  - EBITDA development
  - Continued inventory reduction activities
  - CAPEX
  - FX development



# DEBT MATURITY PROFILE



- Plan to use cash at hand to repay EUR 300 m bond maturing in September 2023
- The EUR bond market remains an important long-term funding source
- Key activities performed in 2023 include
  - 3.25 year private placement bond of SEK 750 m
  - Loan from Svensk Exportkredit of USD 44 m, due 2026
  - Bank facility in USD increased by USD 10 m to USD 220 m and extended from 2024 to 2026
  - Bank facility USD and RCF include option to extend by further 1+1 years



# Q2 2023 SUMMARY


## Business highlights

- Solid earnings and record-high operating cash flow
  - Last quarters results show how Dometic is transforming into a more diversified, effective and resilient company
- Difficult to predict how macroeconomic situation will impact the business in the short-term. Our market expectations:
  - Service & Aftermarket – continued recovery in demand coming quarters
  - OEM – gradual weakening demand coming quarters except for:
    - RV Americas – stabilization end of year
    - CPV – continued strong demand
  - Distribution – weakening demand coming few quarters as retailers are re-balancing their inventories. The positive margin development year-over-year is expected to continue
- Actions ongoing in EMEA and Americas to improve performance
- Committed on achieving net debt to EBITDA leverage target of 2.5x

## Strategic highlights

- Optimistic about the long-term trends in the Mobile Living industry
- Continue to invest in strategic areas such as Marine Steering Systems, Mobile Cooling and Mobile Power Solutions
- Driving our strategic agenda to deliver on our targets





# Q&A



# DISCLAIMER

SOME STATEMENTS HEREIN ARE FORWARD-LOOKING AND THE ACTUAL OUTCOME COULD BE MATERIALLY DIFFERENT. IN ADDITION TO THE FACTORS EXPLICITLY COMMENTED UPON, THE ACTUAL OUTCOME COULD BE MATERIALLY AFFECTED BY OTHER FACTORS, (A) CHANGES IN ECONOMIC, MARKET AND COMPETITIVE CONDITIONS, (B) SUCCESS OF BUSINESS AND OPERATING INITIATIVES, (C) CHANGES IN THE REGULATORY ENVIRONMENT AND OTHER GOVERNMENT ACTIONS, (D) FLUCTUATIONS IN EXCHANGE RATES AND (E) BUSINESS RISK MANAGEMENT.



A scenic landscape at sunset. In the foreground, a dark green tent is pitched on a grassy field. Two people are sitting on chairs outside the tent, talking. To the right, a dark grey Volvo station wagon is parked. In the background, a dark green truck with a canopy is parked on a rocky outcrop. The sky is filled with soft, golden light from the setting sun, with scattered clouds. The overall mood is peaceful and adventurous.

**DOMETIC**