Transcription

Dometic Q1 2023

26 April 2023

Juan Vargues: Good morning to all the participants and welcome to the presentation of this First Quarter year 2023. Let's proceed to the presentation on the highlights immediately. Looking at the markets very tough market conditions on the US markets, we got the latest news yesterday showing a decrease on the number of units from manufacturers reaching minus 54 percent, which makes obviously life a little bit complicated for this industry altogether. At the same time, we also see that the inventory levels at our distributors and dealers are high, even if we perceive that they are starting to come down. On the performance side, we also perceive very clear results from the strategic initiatives that we have been taking to the last couple of years.

Juan Vargues: Looking at the results, growth and we are talking about organic growth in this case reached 30 percent down versus last year, with two segments doing well. Marine positive plus eight percent and global plus five percent driven by Iglu, but also hospitality doing very well. At the same time, we see the site being down 14 percent, everything due to the Americas we see still today a strong and a strong RV both in Europe and in A-pac. Last but not least, service and aftermarket down 19 percent, which obviously has a major impact on on our margins and on our EBITDA levels. Talking about EBITDA, we ended up at 11.6 percent compared to 14.8 one year ago with two segments showing deterioration in Americas and three segments showing improvements, namely Marine, Global and A-pac.

Juan Vargues: We're also happy to report a strong operating cash flow. A lot of efforts have been put in place, obviously, to release cash during the last three quarters and we see a gradual improvement, and then also very happy to see that all the KPIs on the sustainability reporting are pointing in the right direction for us. Looking at growth, three percent down or almost 7. 3 billion kroner with 30 percent organic deterioration, a growth driven by effects nine percent. On M&A, we have nothing left at this point. EBITDA 847 million kroner, 24 percent down versus last year or an EBITDA margin of 11.6 versus 14.8. As I mentioned before, an improvement on cash flow of almost 600 million in comparison to the same period last year. Adjusted EPS ended up at one kroner 44 order in comparison to two krona 27 one year ago.

Juan Vargues: Leverage ended up at 3.2 versus 2.7 last year and 3.0 at the end of the year. Looking at again our sales growth, we see that organic growth has been coming down now for four quarters. This is the fourth quarter and we have seen a gradual deterioration driven primarily by the US Army markets. We see as well as a reminder, the service and aftermarket has been negative for us since Q2 last year. We are approaching a situation where we will have much easier comps in comparison to last year. Looking at different businesses from an application or a perspective, power and control, which stands for 20% of sales, shows a strong performance, very much driven by the marine steering system range, as well as by mobile power solutions.

Juan Vargues: Food and beverage, which is very much driven by cooling boxes, igloo and domestic, but also the CPP business on the cooling compartments and the RV showing also good stability at the same time as climate, which is very much depending on the RV industry has been showing some deterioration due to the American markets. If we instead look at the different sales channels, we see that we have been moving from above 60 percent of total sales into 44 percent on the 12 month rolling number, which is at the same level as at the end of last year, and very much driven obviously by two things. On one side, the strong deterioration in North America, plus also the reason that we see on the service and after market during the last 12 months.

Juan Vargues: Worth to mention that the RV OEM sales in North America stands today for 10 percent of our total revenues for the company, which is important, obviously, since very often we are perceived very much as a very heavy American company and very exposed to the RV OEM industry. Looking at service and after market, I believe as well that is a very important slide that I would like to spend a couple of minutes on. You can see on the different graphs, the evolution of service and aftermarket since 2018, where you see exactly the same pattern 2018 to 2019 and showing growth, then we go into 2020, the first half extremely weak due to the pandemic, then the market bounce back and during the second half dramatically we saw a continuation during the entire 2021.

Juan Vargues: If we look at 2022, you see the Q1 2022 was even stronger than 2021, which was of course the expectation of building up a very strong year for the industry and that never happened. You can see as well the Q2, we started to see the duration and we got between 16 to 60 percent in Q2 last year and down to 22 percent negative in Q4 last year and were still negative in this Q1 this year. On the contrary, if you compare with what we consider to be a normal base, which is 2019, Q2 last year ended up a plus four percent in comparison to Q2 2019, Q3 plus seven, Q4 plus ten. This first quarter this year, we ended up at plus 16 percent in comparison to Q1 2019. It is important to remember that we have this pandemic effect that we were very happy about in 2021, but now it is tough to compare.

Juan Vargues: We are starting to get very, close to much easier comparable. Looking at our evolution over time, we see clearly the duration in Americas and EMEA at the same time as we see improvements in the other three segments. Two consequences, obviously when you are losing as much as 48 percent organic in America due to the RV industry is difficult to mitigate. We have been reducing capacity and big time, but still very difficult, and of course that we are sitting with facilities, we are sitting with inventories and it is tough. On the situation in EMEA is different, is much impacted by the lower service and after market. At the same time as we are moving a factory, from Germany to Hungary, which means that we have double counting, that double head counting and some efficiency cost that will fade away during the coming months.

Juan Vargues: The expectation is that the factory will be shut down and moved by the end of Q2. On the contrary, marine continues to do well. We will see some more details in a couple of minutes as well as Igloo is also continuing to show improvements and we have also a positive effects. Looking back at the details and different segments Americas, as I mentioned before, organic growth, 48 percent down and totally impacted by the RV and the service and after market. On the contrary, the CPV business still doing very well for us. We got a number of contracts through recent years that we are turning into sales during the last months and that will continue. EBT, very much impacted by the lower volumes.

Juan Vargues: Then we are looking at strategy we see still today a better evolution of the acquired companies in the last couple of years, namely Volterra and Sam Solar. At the same time as the move of the factory in Elkhart is completed in a successful way. Looking at organic growth, seven percent down, which is totally driven by the service and after market. On the contrary OEM is doing very well, especially on the CPV side. That means commercial and passenger vehicles OEM is still positive and we don't see now at this point any signals of deterioration on that market. EBITDA halved in comparison to the situation one year ago, again, two major impacts on one side, the service and after markets and then the other one is inefficiency in due to the factory move and still some high logistic costs due to the inventory build up at our customers.

Juan Vargues: I already mentioned the closure of the factory a couple of times, I will not repeat myself. Then we are looking for further adaptation to the new volume levels in the future to come. APAC even here negative, driven by service and after market and distribution. On the contrary, the OEM site is still going well and happy to report that despite the negative growth and the product mix for us. OEM as an aftermarket, we still see improvements in comparison to one year ago. We have been adapting capacity as well to the lower volumes that we have seen now for a couple of quarters. We are happy to see that our acquisitions are doing well in the segment.

Juan Vargues: Maureen, nice to see that the growth is still there. Here we have a negative mix with OEM growing nicely while service and after market is still negative, but as a continuation of the level out that we saw in Q4, we got exactly the same situation in Q1 from a service and aftermarket perspective, which is leading us to believe that we will see improvements in the months to come. Here, despite the negative mix, we see a margin improvement 26.3 versus 25 percent. I guess that many of you are wondering how comes that you are still growing at such a nice level. It's a couple of factors on one side, we see that even in the boating industry has been down now for a number of months. From a retail perspective, we see that we had that industry did high backlog level.

Juan Vargues: At the same time we see as well that the small boats have been coming down quite a bit while the larger boats are still pretty stable. We see that the larger engines where most of our equipment goes, is still growing very nicely. It's a combination of a number of things, very much driven by the technology shift that we have been commenting since the acquisition of the sister a few years ago. We see a continuous movement from mechanical boats into hydraulic and electronic products and we see an acceleration during last 12 months on top of that. Global very much driven by igloo. We see organic growth both in igloo and hospitality while we see negative growth on residential.

Juan Vargues: We see as well a good margin improvement in comparison to last year and is that we will continue to see improvements in the quarters to come. The integration process moving according to plan in a positive way and we have no further news in regards to the lawsuit from the former owners. From an innovation perspective, a couple of pros that we have launched recently, on one side, very slim, a new cooling box under domestic brand driven by compressor technology and which makes it possible to have it in a standard card and either in the console or in the seats on the back. At the same time we are also launching as a way of penetrating more the outdoor standalone industry, a new series of inflatable tents with our own technology, which we believe is going to drive growth in the coming years.

Juan Vargues: Moving from innovation to cost reductions, our manufacturing footprint program continues. We booked 19 million in the quarter, bringing the total cost so far to 836 million out of the expected total number of 950. We have affected so far 1800 employees. The run rate from a savings perspective is 340 million of our total of 600 million, which means that we have another 260 million to go. We are happy to report that the numbers continue to improve. We see injuries coming down dramatically, just as a comment we used to be on our own four five years ago we are down to 1.6 and we believe that we can reduce the number even more. On female managers, we also see improvements and in up on the quarter on 26 percent of our managers being female in comparison to 24 percent one year ago.

Juan Vargues: We continue to invest on energy and converting our factories into electric energy and driving down the CO2 by 41 percent in comparison to the starting point 2018 and ahead of the target that we have for 2024. In terms of audits, we also see clear improvements year on year. We are now at 94 percent compared to a target of 90 percent. We are fully convinced that we are going to reach the 100 percent. Stefan, I'm handing over to you.

Stefan Fristedt: Thank you very much. Let's start with our EBITA development in Q1. The organic and part, which is obviously the majority nowadays, is very much impacted by the lower sales and also the negative mix where we have minus 19 percent organic sales decline in the service and after market. In terms of SNA and R&D expenses, if we look in constant currency and also proforma with the acquisitions, the SNA expenses, they are flat compared to last year. However, we are continuing to invest both in on SNA and R&D expenses, in strategic structural growth areas such as mobile power solution and mobile cooling. Then we also have the extraordinary logistic expenses and the manufacturing efficiencies within EMEA that is impacting negatively.

Stefan Fristedt: Ongoing cost reduction measures, they are contributing positively. Then we have a positive impact from effects in the quarter. Falling in the acquisition column, it's related to Kodak and three line. They were consolidated during Q1 last year. Moving over to cash flow and we have a significant improvement in our operating cash flow compared to the same quarter last year, it's almost 700 million, so that is very satisfying I must say. It's driven by reduced inventories then accounts receivables are seasonally driven up. When we're going below the operating cash line, we have the income tax paid sticking out a bit, which is related to payments from last year.

Stefan Fristedt: Here you can see the operating cash flow in a longer time series. I went back even further than this and I can say that this is the best Q1 from an operating cash flow point of view ever in domestics history so again, very satisfying. When we look on the cash flow generator since Q2 last year, we are on a good track. Looking on the different components in the working capital, the working capital totally is 34 percent of net sales obviously significantly above our ambition level. As we have said we are expecting that to come down, not to the level where we believe it is going to be decent, but we are going to take a meaningful step in that direction. In terms of inventory, we see a decline from Q2 driven by operational improvement and we are expecting this development to continue here.

Stefan Fristedt: Looking on our spend on CapEx and R&D, CapEx is almost 100 million in the first quarter, 1.4 percent in relation to net sales, which is in line with what we have seen historically. In terms of R&D, we are spending more 2.1 percent of net sales, 155 million. That is really driven by what I mentioned before. We have some in strategic important areas like mobile power solution and mobile cooling, where we are investing more on R&D. Looking on our net debt to EBITDA leverage, it came up to 3.2 in the quarter. On the little bridge below the chart, it's the EBITDA reduction that is driving this. We have some positive effects from cash flow and and so ended at 3.17 using two digits behind the comma.

Stefan Fristedt: As we communicated in connection with the last quarterly report mean Q1 is our weakest quarter in terms of cash flow. It was not the quarter where we did expect any other development than what we are seeing so cording to expectation. With that said, we are absolutely committed on achieving our target of around 2.5 and, as we also have been communicating before we are going to take a meaningful step towards that target during 2023. The items which is going to drive that is the development. We are going to see continued inventory reduction. We have the dividend that we are going to pay now in Q2 and then we have some restructuring payouts still to be done and along with earnout related payments from the acquisitions done in 2021 and 2022.

Stefan Fristedt: Then obviously we have the CapEx component to consider as well. As you could see from our press release on March 31st, we have been renegotiating the first part of our bank agreement, the part that is maturing in 2024. With this new arrangement, we have increased our average maturity to 2.8 years. If we are including the extension options with one plus one year, we are on 3.0 years average maturity. We have also done an new agreement with Svensk Export Credit for a loan of $44 million maturing in 2026. The bank facility has been increased with $10 million so totally $54 million in increased funding during the year in relation to these two agreements. We moved the maturity from 2024 to 2026 and then we have plus one on top of that.

Stefan Fristedt: The revolving credit facility is also a part of what we have been refinancing here now and it's still on €200 million. I was talking about the extension options here. We obviously have the Eurobond maturing in September 2023. We want to keep our options open here and our own cash and cash flow is going to play a role. It's still the question to what extent. We had almost 4.4 billion in cash and cash equivalents ending Q1 2023. That is not including the additional 54 million of financing they are going to come in now during Q2. With that one, I hand back to you to summarize.

Juan Vargues: Thank you Stefan. Summarizing, it is clear that the market has been tough for a number of months in a situation where on one side, the USRV industry is in a kind of freefall. At the same time this industry as many other industries is still suffering from the inventory built up around the world. In many industries I believe that we are performing well. I believe that we are performing a good double digit EBITDA showing that the strategy that we communicated already four years ago is paying off and creating a more resilient company. We had two segments showing organic growth, and we have three segments out of five showing profitability improvements that are supporting our results.

Juan Vargues: Moving forward, difficult to know now is much about observing what is going on every single day and obviously reacting on those changes. We are expecting a gradual improvement on the service and after market in the coming quarters. Difficult to know what is going to happen next month or the month after, but we will see improvements. We expect stability in terms of distribution, where we see obviously that hospitality igloo are doing well. We expect improvements in the second half somewhere in terms of residential. That is very much what is going to happen on the side where we see, as we mentioned before, CPV doing well globally. We see OEM in EMEA and APAC doing well, and then we see OEM market in the US going to start to stabilize.

Juan Vargues: Our expectation is obviously that that's going to happen during the second half. At the same time, we have marine, we don't see any changes in our numbers from the marine side. Even there we are expecting improvements from service and aftermarket perspective at the same time as we are realistic and can see that if inflation doesn't come down, if interest rates don't come down, there is a risk that we will see a deterioration on the Marine OEM down the road. Cash flow, we will continue to put a lot of attention to our cash flow. As Stefan already mentioned before, we are committed to reach our 2.5 leverage level. Then pbviously on the two different segments that today are kind of struggling and America, we will continue to stay close and we will continue to adapt our costs so we can see improvements even during the second half.

Juan Vargues: Some of them will come, but for natural reasons, meaning that we are very close to end up the shutdown of oxygen and we have the logistic cost. As a service now the market is coming back the number of local warehouses is going to be reduced and our results are going to improve. Not to forget the major impact that we have from a service and aftermarket margin perspective. Two different sports on the short term, be close and adapt on the long term. We are optimistic about the long term trends for mobile living and we will continue to implement our strategy as usual. With that said, I would like to start with the Q&A session.

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 5 again on your telephone keypad. The next question comes from Fredrik Ivarsson from ABG Sundal Collier. Please go ahead.

Fredrik Ivarsson : Thank you, operator. Good morning, gentlemen. I've got two quick questions. First one on the service and aftermarket within the Marine division in particular. I think you saw this part of the business sort of starting to decline before both RV and CPV as well. I suppose that means that it should recover before as well. Can you say anything about what you currently see within that part of the business?

Juan Vargues: We have seen a clear improvement starting in Q4. We saw more or less the same numbers or the same negative numbers that we saw in Q4, which are much better than the numbers that we saw during the previous, I would say four to five quarters. We see a clear trend upwards, even if it is still negative.

Fredrik Ivarsson : Perfect. Thank you. And second question on the margin in EEKLO, it looks like it has expanded around, but at least I'd say two percentage points. Can you explain what's driving that and also whether that might be a decent proxy for the full year? I had two percentage points, margin expansion versus last year.

Juan Vargues: As you know, we don't guide, but we have been communicating from day one that we knew that there were a number of opportunities to increase your margins. One is obviously pricing to be more focused on price management.

Secondly is product mix. It is clear that we have different products within the range and some products are higher margins than others. It's very much about being a little bit more selective on the low margin products at the same time as we are a little bit more attention on the high margin. And then third but not least cost. We see clearly that business is also very dependent on two things. First of all, on internal efficiencies and we can improve even more. Secondly is also the raw materials, 20, 21 and 2022 were tough due to the Racine prices.

Juan Vargues: Racine prices have been coming down at the same time as we have been working pretty well on our pricing and that has a positive effect altogether. Of course, our intention is not to release for now on but to be very close, so far, so good, according to our expectations.

Fredrik Ivarsson : That's very clear. One quick follow up on that one. Can you remind us on where you are in terms of pushing and introducing more active coolers in the US?

Juan Vargues: We will introduce the first coolers and the igloo brand in Q4 this year. That is the expectation. Obviously we have been working with that project now for one year and at the same time, I can also comment from that perspective from a mobile cooling perspective that we are developing the Igloo organisation in Europe. We have transferred a number of resources from the domestic organization that we used to be working on domestic second brand mobile into igloo. So we are forming Igloo Europe as we speak. All the resources have already been moved and all the resources already.

Fredrik Ivarsson : Perfect. Thank you.

Juan Vargues: You're welcome.

Operator: The next question comes from Gustav Hagéus from SEB. Please go ahead.

Gustav Hagéus: Thanks for taking my questions. I have a few, if I may. Firstly, if we can be a little bit more granular or so on the cost reductions that we see this year related to the Siegen enclosure and the run rate cost program. Where are we in terms of the year over year impact as you see it now in H2 from cost savings, both I guess from Siegen, but also a rough indication where you think if there will be cost reductions from lower inventory based on containers and so forth.

Juan Vargues: Let's start with the raw material prices and the freight costs. It is clear that we see that coming down in comparison to the situation we had one year ago.

Having said that, it is also clear that we are sitting on inventories ourselves. Even if those lower costs are coming in our balance sheet, they are not shown yet on our expectation is that we are going to start seeing that in the second half clearly. And then on the restructuring do you have there?

Gustav Hagéus: I would say we're talking about around €100 million year on year. If you see how it has been building up since Q1 last year.

Juan Vargues: We have as you mentioned, 260 and that's basically obviously to the closure of saying we are going to finalize the closure and the end of Q2. Then we also have full year effects of the continuous program that we launched in Q2 last year.

Gustav Hagéus: Sorry you broke up a little bit. Could you reiterate what was the year of year EBITA impact from those savings? The structural savings H2 year over year was it 100?

Juan Vargues: Hundred million?

Gustav Hagéus: Yes, okay perfect. Then you keep referencing in the report that you're a bit cautious on OEM, just so that I understand. I guess everyone assumes that American RV OEM will at some point trough maybe start to grow again H2 and then you have the marine business that seems to be running quite well and your CPV is running very well with longer contracts. What OEM are you referencing and do you have any hard data on this? I also note that the European OEM markets are seemingly quite strong still. Is this more of a hunch or do you see any data on this?

Juan Vargues: Yes I think I'm trying to understand the business. If inflationary costs and interest rate. OEM manufacturers now, they have a back working on the back, but we could not deliver. Then the question is again, is that backlog going to be there forever or will it go then if the situation. The good news is, as you just said, we are expecting that if that happens in EMEA, if that happens, that will be to a very high extent compensated obviously by Asian and the growth on the American market and of course that the servicing of the market will become coming back. To me is very much a question of timing. The business is that marine based that is going that the mayor cannot be feeling bad forever. We try to be as realistic as our customer, but we are also looking at what is going around in the surrounding industries.

Stefan Fristedt: It is difficult very difficult to hear you.

Gustav Hagéus: I think I can't really hear you, but let's take that offline maybe, and I'll pass it on. I don't know if it's my line or it's your line.

Juan Vargues: Okay. Thank you. Good stuff.

Operator: The next question comes from Douglas Lindahl from DNB Markets. Please go ahead.

Douglas Lindahl: Hello, gentlemen. Thanks for taking my questions. I wanted to start off with the Marine business. Juan, you mentioned that you see the marine for larger engines doing well. First, I wanted to see what you believe is the reason for that and with regards to the backlogs within the Marine business. How long do you think these can these can span? I didn't hear your answer if you answered it in the previous question.

Juan Vargues: Yes, so if we start with the backlog, which is obviously a very important data point, we have exactly the same backlog that we had one year ago. That's good news. We see altogether that our total backlog for the company is lower than the backlog that we had one year ago. At the same time, as we see the order intake coming up now during the last weeks, so there you have two data points. So it's clear that we are going from a situation where the market has been shrinking for a while and North America, but also the other economies have been kind of cooling down. At the same time, we see that the order intake is on the way up. So that's positive. Then on Marine specifically, it is crystal clear that what we see is a difference between larger boats and smaller boats.

Juan Vargues: On the smaller boats, we have seen both in retail but also in manufacturing that the smaller boats have been shrinking now for a number of months while we see still very good traction on the larger boats and the more, again, over 200 horsepowers, they are still growing high two digits.

Douglas Lindahl: That's obviously the group that is behind the smaller boats. They are not as financially resilient as the one buying the larger boats.

Juan Vargues: Correct. An important piece of information, of course, that on the smaller boats you have mechanical steering, on the larger boats, you have hydraulic and electronic steering, and then you have a major price point difference as well. So that's another thing which is driving our growth in comparison to what the industry is performing altogether.

Douglas Lindahl: Okay interesting.Thanks for that. On switching topics a bit on the earnouts excluding Igloo . I note that your other current liabilities is down somewhat sequentially. What's the reason for that, would you say Stefan?.

Stefan Fristedt: The reason for that is that we are continuously updating what we are expecting that we will have to pay. So we have done that. Then the payment as such, excluding Igloo is going to come around 500 million during Q2.

Douglas Lindahl: So excluding igloo or not will be 500 million in Q2.

Stefan Fristedt: Yes and you know our point of view on igloo, right?

Douglas Lindahl: Yes, and a final question, if I may, on APAC, super strong profitability, as you already highlighted there with organic growth declining, how should we think about this business in sort of a negative growth environment? Is this sustainable margin levels, would you say, or the exceptionally strong here?

Stefan Fristedt: We have always been pretty strong and that's a consequence of the mix. It is important for you guys to understand the main difference that we have with OEM business and service and aftermarket business that's valid even in APAC, not to the same extent as in the rest of the regions, but that's also valid. There we have a good mix where OEM is less than percent in comparison to service and aftermarket and distribution. I can guarantee you that we are going to be on 25.6 forever but since I joined the company, we have never been below 20 percent. It is not my intention to to reduce it. We know that we are perfect. We still see opportunities but of course that is very much due to the mix. The good news in this case is that we have a negative mix and still we perform better.

Stefan Fristedt: At the same time, I hope that you note as well that we are pretty good at reducing cost, adapting our capacity needs into new situations. Then you have another factor which is also important, and it is the acquisition that we made and the MTS acquisition that we made two years ago that has a nice accretive impact on the numbers as well. MTS altogether is bringing very nice margins. You will tell you all the acquisitions that we did during 2021 2022 with exception of igloo and that's why we are paying a lot of attention to Igloo as well to elevate those margins.

Douglas Lindahl: Okay. Thank you very much.

Stefan Fristedt: You're welcome. Thank you.

Operator: Please state your name and company. Please go ahead.

Daniel Schmidt : Yes. Good morning, Stefan and Juan. Hope you can hear me. A couple of questions. A couple of questions from me. Maybe starting with the outlook, Somebody said that it looks bleak and of course it does. However you actually detect a slight improvement of the outlook compared to what you wrote in the Q4 commentary. When it comes to what you say in terms of OEM, where you actually added that you expect to see stabilization in demand by the end of the year when it comes to the RV business in Americas. How do you model that and what do you hear from from your customers? I can also sort of come up with a situation where you're actually back to growth by the end of Q3 and what you find realistic.

Juan Vargues: I think, Daniel, that you have to differentiate what customers tell us and what we think. History tells so far for the five years that have been in the company, history tells that our customers tend to be a little bit too optimistic and that we tend to be a little bit more realistic, you would say. Of course, that I am a little bit more optimistic today for two different reasons. One, the traction that we had on the marine business, on the RV OEM in both EMEA and APAC is still there. So that means that we see, so to say, a postponement of the negative trend, which is positive. Secondly, we see order intake flattening out and starting to improve as well, which is positive.

Juan Vargues: At the same time, you cannot deny the fact that everything is going to have to do with inflation and interest rates is you're going to buy a new boat no matter if you are in Australia or you are in the US. It's a question of time. I'm more optimistic today. I would say that I am perhaps less pessimistic today than I was six months ago when we saw that American market was coming down. At the same time as we could find a logic on the other OEMs, we're going to come down as well. Then you also need to to model in your files that the American market is always a V shape drop dramatically very, very fast, and it starts growing dramatically on the way up again. While Europe and APAC are much softer movements. To me it's very much a question of timing. It's really when will EMEA OEM and Marine OEM have some negative impact and when are we going to see the US, America's flooding out and starting to go. Everything is about.

Daniel Schmidt : It looks like they could trade places sort of starting to look like the US market could be troughing out towards the end of Q3 maybe, and maybe then you will see some weakness in the European market, for instance. Are you seeing any any changes when it comes to sort of consumer credit availability in the US market on the RV side?

Juan Vargues: No, more than people need to be more cautious of natural reasons.

Daniel Schmidt : Okay, good. Just a nitty gritty question for Stefan, maybe. Given what we know, as you mentioned, when it comes to the earnout payments being around $500 for Q2 and you have the dividend as well. What you say in terms of cash flow in H1 versus H2, and you also had restructuring payments, I think you mentioned as well in Q2. Then again, maybe a good big release on inventories. Is it reasonable to see free cash flow being positive in Q2?

Stefan Fristedt: Let me say I would I would hope so. Of course, I mean, there is a lot of dynamic driven by the demand, of course, which is going to be crucial. We are taking all measures internally to continue to drive down our our inventory, which is obviously going to be crucial here. It's going to be a little bit up to the demand development here and the service in off the market. As we say we are we are expecting a gradual improvement here, but also on that side as well. Juan is mentioning it's a lot about timing. When will that happen? It comes down very much to the demand I would say.

Daniel Schmidt : As you model it, given what you expect in terms of cash release from inventories, it's not impossible, although you do have the dividend and the earnout and you also mentioned something about restructuring payments.

Stefan Fristedt: Yes, you're guiding yourself. It is timing. I mean, whether it's going to happen on the 27th of June or on the 10th of August is impossible. What we know is that Q1 is a tough quarter for us historically has always been a tough quarter for us. We have Q4 and Q1. I do believe that at least the takeaway is we have a good performance. We are delivering 11.6 percent in EBITDA. We are delivering strong cash flow in our second weakest quarter every year. We have service and aftermarket down 90 percent . We have an organic growth in Americas minus 48 percent and we are still delivering good cash flow, good EBITDA margin. The best is yet to come.

Daniel Schmidt : Good. Then the final maybe nitty gritty as well on the inventory and that expected to continue to come down and that sort of in relation to what you guys mentioned in terms of freight costs and raw materials, if we see inventories coming down, as you expect during Q2, will we still have to wait until Q3 to see a positive effect from freight and raw material in the PNL?

Stefan Fristedt: The more the more material part that you need to think H2.

Daniel Schmidt : Okay, thank you. That's all for me.

Juan Vargues: Thank you.

Operator: The next question comes from Agnieszka Vilela from Nordea. Please go ahead.

Agnieszka Vilela: My first question is on your comment, Juan, on the improving order intake in the recent weeks. Could you just elaborate on that? Is there any specific segment that is driving this improvement?

Juan Vargues: I would say that we see practically everywhere with exception of America but if we look at the three different sales channels, we see the improvements in the different channels. Then we're looking at segments we see in reality global doing well. We see Americas showing very well. And then we have Americas being still negative clearly, A-pac is quite flattish. That's it. Marine doing the same levels as last year.

Agnieszka Vilela: Perfect. Thank you. Then Juan, if you could comment on the pricing environment right now, if you look at yourself and your industry, is there any risk that you will need to cut prices if the demand slows down a bit more in the marine business or in EMEA or do you want to kind of try to stick to to your pricing?

Juan Vargues: We will stick to our prices. To me this is very much up to each company to decide from my perspective, to be aggressive on prices in a situation where your products are not seasonal and where demand is not there, that would just prolong the pain. Why would you do that? Our intention is that the way around in a situation where the market is falling as it has been falling. I don't believe in buying market share, especially if the market shares are on the most low margin business that we have. I would say the other way around, our intention is to be more selective moving forward as the OEM market is moving upwards. Again, we have a different mix today than we had a few years ago. We have a financial target that we will hit. In order to do that, we cannot just keep doing things in the way we always did. We need to be more selective on pricing, we need to think a little bit less on market share and think a little bit more in how do we grow the company in a more profitable way than we have historically done.

Agnieszka Vilela: Perfect. Thank you. Then just a last question on your commitment to 2.5 times number two. Do you have any kind of time target for reaching that?

Juan Vargues: Not, but it's what we have said, that we are going to move towards that target during 2023. Are we going to reach that exactly? Probably not. It's a meaningful movement towards target in 2023.

Agnieszka Vilela: Okay. Maybe just a short follow up on this one. You still have 9 billion SEK in inventories. Can you share with us how much of that inventories do you plan to release through the end of 2023? Thanks.

Juan Vargues: There is going to be also a material release for the remainder of this year. It's obviously also a balancing act here depending on timing when the service and off the market is going to start or start to recover as we're seeing. That is obviously one factor and on the incoming side of the inventory, we are taking significant measures. We have containers down 58%. We have a number of the FDA's down 14 percent very much related to our manufacturing capacity. As always, it's going to be a balancing act also when the service and off the market going to show recovery here. It's like a day to day game here I would say. The good news that we know is obviously that we have Q2 and Q3 that are the strongest quarter for us. At the same time as Stefan commented, we have the KPIs in place to measure every single day, every single week the number of containers that are coming from China and we know exactly the number of things that we have in the factories. Obviously, when the inflow of new material is coming down as dramatically as it is doing, at the same time as what we are producing is so much less than we need. At the same time as going up simply because of seasonal reasons. The effect should be there in our opinion, is mathematics.

Stefan Fristedt: Absolutely, yes.

Agnieszka Vilela: Okay. Perfect. Understand. Thank you.

Juan Vargues: You're also welcome.

Operator: The next question comes from Johan Eliason from Kepler Cheuvreux. Please go ahead.

Johan Eliason: Yes. Hi, Juan, Stefan and Rikard. Thank you for taking my questions. I was just wondering a little bit pricing versus volume. Organically, you dropped some 13 percent. How much of of of that was positive pricing? Where are we in terms of volume development?

Juan Vargues: Yes I would say that pricing is somewhat depending on the product is very difficult to give you a number for the entire group since we have so many products and so many verticals. I would say an average pricing is some 10 to 12 percent. Keep in mind that we have been increasing prices now for two years. We have we have recent price increases again.

Johan Eliason: Okay, and if we look into global and guess global, you had positive 5 percent organic. Are we talking about the same 10 to 12 percent price hikes there?

Juan Vargues: Yes, so if you look at the American market are we are following obviously, the numbers from one of the American associations looking at that. If you look at the last, I would say two quarters, the volume on the American market from a cooler perspective has been down while our revenue has been quite a bit up. It's not dramatically down, but it is down.

Johan Eliason: Excellent. Then I wonder, this is a bit of a guessing game, obviously, but you were talking about these double costs in in EMEA because of the plants you're running. Can you quantify it to any degree now in Q1 or Q2?

Juan Vargues: Well, I can tell you that we still have in Germany about 240 people and of course that we need to hire and we need to train 240 people. So you calculate the average cost for a person. Then you realize that this is quite a bit. That for sure. I would guess we are having the number on top of my mind that's most probably one percent on the on EBTIA.

Johan Eliason: Yes, good. Then one thing I was thinking about just having acquired an electric vehicle of my own in the segment mean your air conditioners and fridges and what you have always been focusing quite a lot on energy efficiency because they are used when the engines are not running in the mobile homes or boats, etcetera. Would this be an opportunity for you because in an electrical car, I mean, this energy efficiency is as important as it is for us still standing RV obviously to to to keep the aircon going? Or has is that sort of an opportunity that is not really open to you because there are two big competitors in that space.

Juan Vargues: You have different factors. If you look at our CPV business, you have one business which is cooling compartments. That business is showing a fantastic underlying growth and it has been showing a fantastic underlying growth now for years. We are getting awards and that market is a growth market clear. Then you have the truck business. The truck business has also been doing pretty well in the last 24 months and we are selling air conditioning and we are selling also refrigeration, so kind of mini bars for the truck industry. That business has been doing also very well. Then the new one, which is also very interesting, is, as you know, we have made six acquisitions on mobile power solution companies. Of course both cars but nonetheless, fleets need to electrify to reduce consumption.

Juan Vargues: That's a fantastic opportunity that we have in front of us. Some of the businesses that we acquired are already doing that, but we have more opportunities to expand it to the other businesses.

Johan Eliason: Okay. It looks promising for the future then someday. Excellent. That were all my questions. Thank you very much.

Juan Vargues: You're welcome. Thank you.

Rikard Tunedal: Okay. Thank you very much. That was the final question. I'm just handing over to Juan for some some final remarks please.

Juan Vargues: Thank you, Rikard . Well, ladies and gentlemen, thank you very much for your attention. Again, I think that the market is not a lot that we can do about, but we are doing our very best to perform in a very, very positive way and to make sure that our company keeps developing according to our strategy. Thank you very much to all of you and have a great day day day.