Transcription

Dometic Q2 2025

15 July 2025

Juan Vargues: Good morning, everybody, and welcome to the quarterly report for the second quarter of 2025. We will start immediately with the presentation. The turbulent market conditions and tariff uncertainties continue to have a negative impact on our numbers. We see that there is still today a low consumer confidence, leading also to a negative sentiment among dealers, especially in the OEM channel. That leads also to a situation where retailers still are very, very careful in building up inventories. Looking at performance, we ended up the quarter showing a negative organic growth of 11 percent, with Service and Aftermarket down 12 percent. Here, we need to keep in mind that we have a relatively good Q2 2024. Distribution ended up a negative seven percent, organically affected both by production stock. Primarily, I would say production stopped in our facility in Katy, Texas, and we will come back with some more detail later, and then also affected by poor weather in the American markets.

Then OEM ended up with a negative 14 percent with growth in Land Vehicles Americas while both APAC and EMEA are down. We are happy to comment that we see a stabilization of order intake in Q2 in comparison to Q1, given also a better backlog situation at the end of the quarter than what we had at the end of Q1. Looking at our profitability, we ended up at 14 percent, which is in par with the profitability we showed in Q2 last year. We introduced, as you all know, a restructuring program in December last year. The program is running according to plan. Then on top of the restructuring program, we also have a number of efficiency initiatives that are kicking in and obviously having impact in the first two quarters of this year. We see Land Vehicles and Mobile Cooling showing margin increases, while Marine and Global Ventures are down in comparison to last year. Our free cash flow ended up at 1.3 billion, leading to an average of 3.3, which is also in par with the leverage that we showed in Q1 this year.

Moving over to the financials, the quarter ended up a 6.3 billion with 11 percent negative organic growth, seven percent negatively affected by FX and 1 percent affected by the portfolio changes that we also announced in connection to the December communication. EBITA ended up at 877 million, which is an EBITA margin of 14 percent. It's exactly at the same level as one year ago. Looking at adjusted EPS. It ended up at a kroner and 38 erdan, which is lower compared to the 1.76 that we communicated one year ago. On free cash flow, we ended up at 1.3 billion, in comparison to almost 1.4 billion one year ago, and up again at an average of 3.3 billion. Looking at the year-to-date numbers, we reach a revenue of 12.1 billion, showing 10 percent negative organic growth, 4 percent negative effect of FX. In the same manner as for the quarter, one percent negative effect on the portfolio changes. EBITA margin ended up at 12.3 percent versus 13 percent. Again, Q2 had a positive impact. We are getting closer to the largest numbers year to date. Adjusted EPS, two kroner and 26 erdan, and free cash flow of almost 900 million, leading to a leverage of 3.3. Looking at sales again, one more negative quater in terms of organic growth.

Land Vehicles ended up at 11 percent negative organic growth, with Americas minus 14 percent. As I committed before, looking at the OEM was positive for the second quarter in a row, while the negative effects came in through the Service and Aftermarket in the Americas, which showed a pretty strong growth in Q2 last year. EMEA ended up at about eight percent negative growth and a 17 percent. Marine at 11 percent, Mobile Cooling Solutions at 10 percent, a negative growth. Global Ventures ended up at 11 percent. Even if we see negative numbers in all the segments, we also see some green shoots. We see parts of the Land Vehicles, especially the commercial part of the Land Vehicles. They're starting to show positive numbers both in the quarter and year to date. We also see residential has some pretty good numbers. The auto business that we have in Europe is also showing pretty positive numbers in the quarter. Looking at the sales channels, no major changes. In reality, we are down on OEM by one percentage point, while distribution is a one percentage point, in comparison to last year.

Perhaps worth noting that RV OEM stands today for 90 percent of the business, in comparison to 49 percent of the business in 2017. This is a major transformation of the company that has been taking place in recent years. Looking more in detail to the different sales channels. Starting with service and aftermarket, there's a weakening growth in this quarter in comparison to last quarter. However, I'm happy to see that the order intake looked better during the quarter. We had a relatively clear improvement in Q2 versus Q1. We see the decline is primarily driven by LV in the marine was weak. Again, on the flip side, we had a pretty strong quarter in Q2 last year. We also see the differences. The European situation is improving much faster than the American situation, and we are obviously totally convinced that the American situation is impacted by all the discussions about the tariffs. Looking at the distribution, even there, we saw a weakening growth in two major parts. One was really the production stop. What happened is that we got a stop in several days due to pollution in one of our forming tanks in Katy, Texas.

However, we also need to comment that we had also pretty bad weather in North America and even Southern Europe. Our Igloo space is very much exposed to the North American market. I already commented that we saw good growth in both residential and standalone products in Europe. On the OEM channel, we continue to see sequential improvements, with improvement led by the situation Americas. Again, the second is the growth in Americas. We also see registrations in Europe being negative 1 percent. Starting negative in Q1 and Q2 looks a little bit more positive. Then, when considering the production is down much more, that's also leading us to the conclusion that we should see improvements at the end of the year or perhaps beginning next year. Marine continues to be slow. Looking at profitability, we ended up at 40 percent, in par with last year, with a good improvement in gross margins led on one side by the side mix, but also the fact that the restructuring program that we launched is kicking in clearly.

Then, we also have a number of other efficiency measures that are improving our margins. On operating expenses, we are also done. We have been working very, very hard also to contain our expenses, even if we continue to invest in strategic, important areas for our future. A lot of discussions on tariffs and the potential impact of tariffs. Just as a reminder, we have a little bit more than 50 percent of our revenues in the US, 85 percent of everything that we are selling in the US is produced in North America, the US, Mexico, or Canada. The production that we have in Mexico and Canada is very much included in the USMCA Exemption list. So far, we are protected. On top of that, we also have a good spread of our factories, with nine factories in the US and two factories in Mexico, and one factory in Canada. We don't know how the tariffs discussions are going to end up, but obviously, in the short term, it's very much about adjusting prices.

Your surcharges depend on a little bit, and we have been applying changes during the quarter, both ups and downs, depending on the communication delivered by the US administration. Then, in the long term, we are working on several different scenarios in order to change both logistic flows and add more value in our US factories. Looking a little bit more in detail at different segments. Land Vehicles ended up at 11 percent, with a double-digit decline in certain of the markets, especially in Americas. However, we had a relatively good Q2 last year, and then we saw the variation in Q3 and Q4. On the OEM, I already commented that we see EMEA and APAC still coming down at the same time, as LVA is showing positive numbers for the second quarter in a row. We are also happy to see the registration numbers in Europe are not more down than one percent in comparison to the hefty drop that we see in production across the OEM manufacturers. There's good improvement in EBITA with three percent versus 10.5 percent last year, with improvements in Americas and EMEA, and alteration of APAC.

However, we need to remember as well that APAC is still showing almost 25 percent despite the drop on the top line. Marine is down organically 11 percent, with Service and Aftermarket still challenging, but we see some improvements towards the end of the quarter, while we still see a double-digit decline in the OEM and a negative dealer sentiment when looking at the comments from the dealer surveys that are carried out during the quarter. EBITA it's still pretty solid at 19.6 despite the drop on the top line and the cost of the EBITA margin, the lower retail margins, a consequence, obviously, of the reduced net sales. Looking on mobile cooling MCS, organic growth is 10 percent. Again, we had pretty bad weather both in April and May. A little bit of improvement in June. Part of the duration, and then we have this production stock that, in our estimation, is costing us about 50 percent of the drop in the quarter. That was a temporary production stop caused by, again, pollution in one of the four main tanks and the major forming tanks that we have in the factory.

It was corrected after a couple of days, but it cost us, obviously, quite a substantial drop in the quarter-end. Retailers, as a consequence of the weather, have a weaker sell-through in April and May. We also saw an improvement in the month of June. EBITA is strong at 13.1 percent versus 12 percent last year, despite the lower net sales, and it's very much driven by the cost reductions that we have in the organization. Then, moving over to Global Ventures. We have even higher organic growth. Negative organic growth of 11 percent. Part of that is caused by the changes in our portfolio. We stopped the deliveries of our generator program during Q1, and that continued during Q2. It will have a negative effect during the rest of the year. Then we have some major changes in some of the different segments as well. We're happy to see growth in residential. We have seen now three pretty strong quarters in residential after a couple of years of negative growth. We saw a decline in hospitality and Mobile Power Solutions from a growth perspective.

Then, looking at EBITA profitability 14.2 versus 15.1, with stable margins in both residential and hospitality, while we see a decline in Mobile Power Solutions. Looking at sustainability, there's very good progress. We are happy to see progress in terms of injuries being very much below our target. Our share of female managers is on target. We also see good progress in the share of renewable energy in operations, 34 percent versus 55 percent which we have as a target. Even on assessments of high spend material suppliers, we are running a 55 percent versus 65 percent for the target. Then innovation. We continue to invest in innovation and ended up at 22 percent versus 21 percent in Q1. Looking at innovation, I would like to point out a couple of samples. The products that we launched during the quarter, a very important launch for us, are the premium series automatic passive coolers. This is very much in combination with using the competencies that we have in the organization and launching, again, a premium series of both passive hard coolers and soft coolers.

The launch took place some weeks ago. The pros are available both on the American markets and on the global markets for e-commerce. This is, again, a series of both hard cookers and soft coolers that are in combination, creating a system that you can stack up and scale depending on your different needs. It has very good performance. You can keep the cold for up to eight days. It's also using injection moulding, which is much lighter in comparison to the traditional passive cooler that used to be in the automobile. Again, this is really the collaboration that we have between the Igloo and the Dometic brand on the different products. As you may remember, we launched the first series of Arctic coolers under the Igloo brand last year, and now we are launching the first series of Igloo passive coolers under the Dometic brand. We're also launching the first product in a new generation series of furnaces on the American market in order to upgrade our HVAC programs for the American market. This is leading to a much higher performance than the old series that we are just now starting to replace.

Moving over to the restructuring program that we presented in December. As you may remember, 750 million kroner in SEK savings, and the program should be fully implemented at the end of 2026. Until now, we have closed one manufacturing site and two distribution centers. One more distribution center in comparison to what we communicated in Q1. It has impacted 225 employees. We have a running rate in savings of 195 million, in comparison to 100 million at the end of Q1. We had cashed out in the quarter of 34 million. At the same time, as we communicated their cost reduction program, we also communicated the portfolio changes. I commented, and we stopped manufacturing some months ago. We had an impact during the rest of the year, and we are working on the divestment program as well. I'm working very hard and in negotiations with a number of counterparts. With that, Stefan, would you please continue?

Stefan Fristedt: Yes. Thank you, Juan. Starting off with the income statement for the second quarter. I'm really happy to report that we have a 1.3 percent unit improvement in our gross margin, which is driven by sales mix effects of the restructuring program, but also other efficiency measures related to logistic costs, sourcing and also the fact that we have been adjusting capacity in our factories over and above the restructuring program, which is a normal course of business. On the operating expenses side, 982 million in constant currency, which is a reduction of six percent. Then it is, of course, still increasing and relating to net sales because of the development of the other net sales. We are continuing to invest in strategic growth areas. It's not holding back everywhere. Where we feel that we have to invest, we are continuing to do that. Moving over to net financial expenses, which are continuing down according to plan, based on how our debt level is developing, and then coming down step by step. Then on the tax side, we have an effective tax rate of 32 percent in the quarter, which is consistent with the first quarter.

However, its two percent is even higher than Q2 last year. Moving on to the cash flow, I'm really happy to report a strong cash flow delivery in the quarter. On the operating capital side, we are continuing to work on improvements in our working capital. We had a cash-out related to the restructuring program of 34 million in the quarter. It's now totally, from the start of the project, 129 million in cash out relating to the 400 million total cash out that we have been communicating. The rest is going to come mainly during 2025. We are carefully prioritizing where we are investing, but still have the feeling that we are doing what makes sense from a strategic point. If we look at the other components of free cash flow. The paid and received interest is trending down. We have also been paying less tax. Then we did repayment of the remaining bond that we started to repay in the first quarter of almost 500 million Swedish krona.

On the next slide, you can see how our free cash flow has been developing per quarter. It's really nice to see that we are almost on par with Q2 last year, which was our second-best quarter ever. Now we have our third-best second quarter ever, here in 2025. Taking a look at the working capital development, it has been coming down to 27 percent of net sales, which is the same as we have in the quarter, standalone. As you can see, the inventory balance is significantly down from 6.7 to 4.8, and the number of days is now 128 compared to 141 in Q2 last year. We still have further possibilities to optimize the working capital, and the long-term goal is to be around 20 percent of net sales. If you look at the different components here, you see that we have a stable situation on accounts payable. Inventory is trending down, and we also have a stable situation on accounts receivable. Moving on to CapEx and research and development, we are a little bit higher compared to last year, which has more to do with the timing of Q1 and Q2 CapEx in 2024. We are on a normalized level.

As I said before, we are able to spend what we need to spend. It's not that I feel that we are compromising there in any way. We are on an LTM figure of 1.8 percent in relation to net sales. The same comment basically also goes for what we spend on R&D. It's a little bit less in the quarter, but more related to timing than anything else. The LTM level is 2.7 percent of net sales. And we continue to invest in important strategic growth areas, as you could hear from Juan's report on the lower in the last quarter here. Moving on to our debt maturity profile here. We have repaid, as I said before, 500 million or the remaining part of the same fund that we started to repay in Q1. Then on the USD loan side, which is the $4.5 billion chunk that we have in 2028, 233 million of that, we have an extension option to 2029, which we will exercise at the beginning of next year. The average maturity rate increased from 2.1 years in Q4 to 2.4 years now in Q2, which is obviously related to that. We have done some refinancing actions, especially in the first quarter here. The average interest rate is 4.8 percent of our total debt portfolio.

We have our undrawn revolving credit facility available over €300 million. We have also updated our EMTM and certificate program here in the quarter. Moving on to our net debt to EBITDA leverage ratio. We ended on par with Q1 here on 3.3 times, 0.4 times higher than the same quarter last year. This is driven by the EBITDA development, mainly driven by the net sales development. We have actually been able to compensate for that with the strong cash flow driven by working capital improvements. We continue to keep a high focus throughout the whole organization on protecting margins and reducing working capital. We stay fully committed to our leverage target of around 2.5 times EBITDA. However, it's difficult with the current macroeconomic situation to talk about the exact timing of that, but we stay fully committed to that. With that, Juan, I hand over to you for summarizing the quarter.

Juan Vargues: Thank you, Stefan. As a company, we need to control what we can control. In the market, there is nothing we can do about it. However, I'm not happy to see that in one more quarter, we are shrinking as a company. At the same time, I feel very, very proud of the job the organization is performing, which is leading to a robust performance while maintaining EBITA margins despite the lower net sales. We are also happy to see the cash flow continue to deliver a very high level in a tough macro environment. The situation with tariffs is affecting, as I commented before, consumers are affecting the value chain of dealers, and everybody is very, very careful in building up any kind of inventories. The uncertainty on the market is still there, but we have seen a stabilization. The order intake we see as well easily comes in the second half. Again, under normal circumstances, we should expect a gradual recovery in the Service and Aftermarket distribution. However, the main question mark is the tariffs and the effect that tariffs might have on consumers' and dealers' sentiments. Strategically, we continue to invest in our growth areas, both in pro-development innovation, organizations in a number of areas, and we continue to do so.

We are also happy to see, obviously, that the global restructuring program that we launched in December is kicking in and having a very nice effect on OEM. With that said, I would like to open 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 five again on your telephone keypad. Please mute your line when you have asked your question, and please limit yourself to only two questions. You can also write your questions on the webcast page.

Juan Vargues: Do we have any questions?

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

Johan Eliason: Hi. It's Johan from Kepler Cheuvreux. Hi, Juan and Stefan.

Juan Vargues: Good morning.

Johan Eliason: You are testing your equipment. Working well so far. I have just one question regarding the free cash flow. I hope you can hear me well. Was there anything particularly impacting the free cash flow in this quarter? How do you see the cash flow pattern in the second half of the year? Is it the normal seasonality, or is there something we need to bear in mind? Thank you.

Stefan Fristedt: No. There was nothing particular more than that. We were working very, very hard on optimizing this. Inventory has played an important role this quarter as well. However, we also did a very good job on the accounts receivable side. This quarter, which is something that we are working on a continuous basis. I would say that the cash flow should continue to develop here in the coming quarter. We need to consider our seasonal pattern, where Q2 is our strongest cash flow quarter. However, I still say that we are going to continue to deliver robust free cash flow numbers here. It will not be at the level that we have been doing in the last couple of years, but still, it will be robust.

Johan Eliason: Okay. Thank you very much. In the second half of the year, is there anything particular that will impact you coming from the restructuring program, or is it sort of gradually also in the second half? Thank you.

Juan Vargues: No. It will be gradual measures that will have a gradual impact on our numbers.

Stefan Fristedt: In general, the restructuring program, as we said before, is according to plan, and we are following the plan that we have been laying out. As you remember, 300 million is the target for 2025.

Johan Eliason: Excellent. I have no further questions. Thank you very much.

Juan Vargues: Thank you.

Stefan Fristedt: Thank you.

Operator: The next question comes from Henrik Christiansson from DNB Carnegie. Please go ahead.

Henrik Christiansson: Good morning, gentlemen. I have a question on the gross margin improvements. You've highlighted the restructuring program, and that will contribute to the improvement year over year. Then you also talked about these other efficiency measures. Could you talk a little bit more about that, and to what extent that is temporary or also structural and permanent?

Stefan Fristedt: Absolutely. There are different components in this. First of all, you will see that we are down a number of FDs, a little bit more than 800. Half of that is factory factory-related or GP-related. We are over and above the restructuring program, and we keep on adjusting our capacity and looking for continuous improvements here. Then, on the logistics side where we are both optimizing our logistic footprint, which is a part of our restructuring program. Then we also see that we have been pretty successful in some areas on our sourcing improvements in 2025. That are the main components of that. We also have a Mix effect here, as I mentioned. Even those services of the market did not develop according to plan. It's still a larger share of the total because of the development on the OEM side. Those are the components, Henrik.

Henrik Christiansson: Great. Thank you. Then my second question is on the update on the legal situation on the earn out. What's the latest and greatest there, please?

Stefan Fristedt: There's no news. We have the date in September here, which we're working towards. Other than that, from our point of view, there is no change. We still believe that we have a good case.

Henrik Christiansson: Great. Related to that, what's the amount that you have on your balance sheet booked for that earn out?

Stefan Fristedt: For the time being, it's around $66 million.

Henrik Christiansson: Perfect. Thank you.

Stefan Fristedt: However, that doesn't have anything to do with what we believe the outcome is going to be. It's just something that we work with the auditors on a continuous basis.

Henrik Christiansson: Of course, thank you.

Operator: As a reminder, if you wish to ask a question, please dial star five on your telephone keypad. The next question comes from Daniel Schmidt from Danske Bank. Please go ahead.

Daniel Schmidt: Good morning, Juan and Stefan. I just wanted to say, first of all, that I missed most of this call. Maybe I'm asking questions that have already been asked or addressed in your prepared remarks. However, Stefan, you did mention that the savings program was running according to plan, and it sounded like maybe you were even doing better than you expected on the FD side in production. Did you also mention how much of these 300 had been realized already as of H1?

Stefan Fristedt: Yes, we are on 195 million on annualized pace now. We are moving towards the 300 in a good way.

Daniel Schmidt: Then you mean annualized as of Q2 being annualized, or you mean H1 being annualized?

Stefan Fristedt: I mean the pace. We are expecting to be on a pace of 300 million. It doesn't mean that we are going to see 300 million in money, but no doubt about it. On the target of being on a 300 million pace when we come to the end of the year, we are 195 now.

Daniel Schmidt: That means basically that you did around 15 Q2 then.

Stefan Fristedt: Yes.

Daniel Schmidt: Good. You're also right about the production stuff that you had in Q2 in Igloo, is that entirely behind us now?

Stefan Fristedt: Yes, it is.

Daniel Schmidt: I have some regulatory questions that might be difficult to answer. There are two things happening, if I'm not mistaken, and maybe things have changed recently again. However, as I understood it, at least, a couple of weeks ago, there was supposed to be a 50 percent tariff on steel and aluminum content and appliances as of the 23rd of June. Is that now in effect? Is that impacting anything in the market in terms of market dynamics? Then on top of that, I think the big beautiful bill that came out is suggesting tax deductibility on car loans, which I assume also impacts RVs. Do you have any thoughts around these two factors and any sort of implications or any talk about it that you've heard so far?

Juan Vargues: I know not more that we are trying to figure out what that means to us, and so far it doesn't mean a lot simply because we are still under USMCA protection with the vast majority of our products, I would say. Then what we can say is that we have kind of changed our surcharges to the market. I think this is the fifth time in the last six or seven weeks since the first time. It's a lot of changes. Unfortunately, that's the problem now in the American market. The uncertainty that these changes creates. From a European perspective, we don't import basically anything. There is no exposure, so to say. We feel confident. That's the reality. We feel that we are working very, very close to the market, and we have a lot of people spending a lot of time trying to figure it out. We are in continuous dialogue with our customers.

Daniel Schmidt: Sorry, but with all these changes, it's really hard to keep track and I guess for you two as well. However, I think it's been quite clear that on a relative basis, you stand out a little bit as a winner when it comes to the 50 percent tariffs on content and appliances. Is that increasing interest from your customers to have a dialogue with you?

Juan Vargues: I think yes, we are quoting a lot, but at the same time the expectation from the market just now is that for the remainder of the year, the RBIA is predicting lower numbers that we have seen in the first four months. We had positive growth on the markets, from a production perspective, in the first four months. Then they came in with minus 15 percent in May and the remainder of the year expected to be negative. Yes, we are getting a lot of requests. We are quoting quite a bit, but still I think it's early days. At the same time, we agree, our position is obviously that today we are competing primarily with Chinese imports on the appliance side. We are talking about refrigeration, that's really the product group that cost us quite a bit of market share a few years ago. Today we are pretty much protected.

Daniel Schmidt: I think you answered it, and maybe you talked about it before, but you write that you are growing in OEM LB America in the quarter, and we only have two months officially being out in terms of shipments. I guess you guys know what June ended up with. However, for April and May, it's minus six. At least that rhymes with what I asked about, is that the fair assumption?

Juan Vargues: We have positive growth on the OEM side in Q1, and we have positive growth in Q2. Q2 was higher than Q1.

Daniel Schmidt: Okay. Thank you. You've given the RBIA forecast, which is of course sort of indicating defining growth in Q3 and Q4, if you stack that up against what you have done in terms of trying to get back into the market. Do you believe that you can still persist growth in the Americas OE business, even if you continue to see the market coming down in the second half of this year?

Juan Vargues: What I can tell you is that we will do anything we can to regain part of the share that we lost a couple of years ago. Depending a little bit on the tariffs and how the tariffs end up, that will play for us again. We see positive growth, and we see that the intake is also stabilizing. Then the future will tell us Daniel. We will do anything we can to deliver.

Daniel Schmidt: Thank you. That's all for me.

Juan Vargues: You're welcome.

Operator: As a reminder, if you wish to ask a question, please dial star five on your telephone keypad. The next question comes from Agnieszka Vilela from Nordea. Please go ahead.

Agnieszka Vilela: Thank you and apologies if my questions have been answered. I also missed at the beginning of the call. However, zooming into the mobile cooling business, you've delivered quite solid profitability in the quarter despite lower organic sales growth and some production issues. Could you just tell us what was the main driver behind the profitability improvement in mobile cooling?

Juan Vargues: We have seen these improvements during the last few years. I don't think that the quarter is that exceptional in comparison to what we have seen as improvements. It's clear that we are working on efficiency in the different factories, both in the US and what we are doing in Asia. We are improving our process as well. We are launching new products and that that is having higher margins than we have seen historically. We have been working obviously also on our channels. We are getting more from the sporting goods and a little bit less from mass merchandising, which is having a positive effect on our margins. Our intention is obviously to continue exactly in the same way.

Stefan Fristedt: On top of that, we have also had some tailwind on some of the important raw materials that we have in that segment.

Agnieszka Vilela: Perfect. Understood. Maybe just coming back to the strategy for mobile cooling division. Do you plan to add any more kind of adjacent product, your cooling box offer, within that business? Also, how important are the hydration products for you?

Juan Vargues: It's a super important group, and we are working on that. We are currently on both under the Igloo brand and the Dometic brand. As you know, both Igloo and Dometic are positioned in two different ways. We already launched one year ago the hydration part for Igloo, and we are working on the Dometic side. We launched a couple of years, and it has been developing better than our initial expectations. However, we are taking just now a new series that we are working on that we are going to launch in the future. You know, as well as I know that 65 percent of the RVs revenues is coming from hydration, so that tells you how important it is, both from a revenue perspective, profitability perspective, but also from a branding perspective.

Agnieszka Vilela: Perfect. Thank you. Then on APAC, my last question, really, negative 17 percent organic growth. Is it solely the market, or are there any changes that you see in the competitive landscape?

Juan Vargues: It's very much the market. The RV business has been super depressed as well. It's clear the RV industry is very much a global industry, and very much impacted by inflation and interest rates kicking in everywhere. We had a delay, especially in Australia, a decline came in later. It came in reality in Q2 last year.

Agnieszka Vilela: Perfect. Thank you.

Juan Vargues: You're welcome.

Operator: The next question comes from Frederic Iverson from ABG. Please go ahead.

Frederic Iverson: Thank you. Good morning, Juan and Stefan. I also have to apologize. I got to the call a bit late, so you might have discussed this already, but let's try. You mentioned in the report the sort of stabilization in the order intake. I'd like to dig into the statement a little bit more if you would be open to. Would you mind maybe sharing how the order intake is developing in the various segments?

Juan Vargues: Yes, it's clear that we see a clear stabilization, both from the service of the market and distribution, while the OEM side is still low. However, it's a little bit better than we have seen in Q1, Q4 and Q4 last year. In Q3, Q4, and Q1 this year, OEM was pretty negative, is still negative, but not on the same magnitude. Then coming into the service market and distribution is a little bit the same. It was negative in Q1, and it is pretty flattish in Q2. It's slightly negative, but still much better than in Q1. This means that the backlog situation at the end of Q2 is also better than the backlog situation we had at the end of Q1. Then you have to keep in mind that we're not sitting, like in my former company, with six months of backlog right now. That's why in OEM we know that the orientated, the backlog situation and the fact that comes should be easier since the OEM market, especially in APAC and Europe started to decline pretty heavily in the second half of last year, should bring some optimism on our numbers moving forward.

Frederic Iverson: Thanks. That's helpful. Can you dig in the OEM channel, on what you see in marine versus RV, please?

Juan Vargues: I think this is pretty similar. In marine, and if you look also at the RV dealers in North America, there is still a negative sentiment among dealers in the North American market. That is very much impacted by all the tariff discussions just now. What people don't know is that what are going to be the consequences in the medium term. If we look at European business and if we look at the APAC business, we are a little bit more optimistic based on the fact that registrations are down one percent in Europe. That's pretty similar in Australia. At the same time, production has dropped quite dramatically during the last three or four quarters. Hopefully we will see improvements at the end of this year, or in the beginning next year. I think to me now is very much about the American market. The cycle is kind of moving as we expect it from OEM perspective. The question now is very much on Americas due to the tariff situation.

Frederic Iverson: Great. That's all my questions. Thanks, Juan.

Juan Vargues: You're welcome.

Operator: The next question comes from Daniel Schmidt from Danske Bank. Please go ahead.

Daniel Schmidt: Just a short follow up on Stefan. On marine, you did launch, or you sounded like it was a big event, at least with the Giro. Maybe you've already commented on it, sorry if that's the case. However, did that have any sort of meaningful impact on order take in Q2? Is that worth mentioning, or do you think that had no impact in Q3 and Q4?

Juan Vargues: We see positive order intake. The number of units that are getting orders is having an effect. However, in relative terms, in comparison to the total revenues that we have on marine, is still no substantial. Percentage wise, if we compare Q2 with Q1, there's a massive improvement in order intake. However, in absolute terms is still very, very limited. We are happy about having customers.

Daniel Schmidt: Will those limited orders be delivered this year, or is that next?

Juan Vargues: Part of that will be delivered already this year.

Daniel Schmidt: Do you have any views talking about marine. I don't think that has changed because Brunswick hasn't reported yet. At least they are the biggest player. I think they still expect their top line to be up this year, and that might change in the Q2 numbers next week. However, do you see the second half holding steady in a totally different way than what we saw in H1 and marine?

Juan Vargues: I think it is a mixed bag. It is clear that our comms are becoming easier, just looking at what happened during the entire 2024. At the same time, if you look at dealer sentiment on the marine side, dealer sentiment is negative still today. They are the customers to the OEMs. I believe that we need to wait for a few weeks. Again, as late as last week, we got the wave on dealer sentiment, and they are still of the opinion that the inventories are too high on the marine side. It will be super interesting to follow Brunswick and Malibu and all the others. Then you have American and the European situation. In the European situation, we know that Benito has been very, very, very weak during the last few quarters. At the same time, as you know, we are also very much present on the mega yachts and giga yachts, and they have been doing well. Europe has been holding up much better than the US markets.

Daniel Schmidt: Thank you guys.

Juan Vargues: You're welcome.

Stefan Fristedt: Thank you.

Operator: That was the last question at this time. I hand the conference back to the speakers for any closing comments.

Juan Vargues: Thank you very much to all of you for your attention and interest in Dometic. I will repeat myself by saying that I'm not happy, and we are not happy with the fact that we are shrinking our size as a company. At the same time, we feel very, very proud of the job that we are carrying out as an organization. We're still delivering pretty robust margins and a very strong cash flow, which is also taking the proceeds from the leverage. Thank you very much to all of you, and I wish you a great summer. Thank you. Bye.