

**Transcription**

**Dometic Q3 2024**

23 October 2024

*Juan Vargues:* Good morning everybody and welcome to this presentation of the Q3 report for the metric. Let's start with the highlights immediately. The market clearly remains challenging despite the fact that the decreases in the interest rate have been announced. We feel that both consumers are still cautious with the purchases as well as the value chain with the retailers. These distributors continue to be very, very, very cautious and avoid building up inventories as much as they can, especially in front of the legal system that we are approaching now. Retail inventories are on the way down already lower than last year as I already commented.

*Juan Vargues:* We feel cautiousness from customers. OEM is weak all over the place and in all verticals, which is not super nice. I have to say that's part of the business was very much respected during the quarter. We already saw what happened in Q2 with both Europe and APAC coming down from an OEM perspective. That situation accelerated quite a bit during Q3. Looking at sales, they are four percent down organically with servicing of the market at 11 percent. Basically, a decline in all segments with the exception of land vehicles EMEA. Distribution is equally down minus 10 percent and a little bit the same week in all verticals. Especially as you all know, mobile cooling solutions are a major part of the distribution business.

*Juan Vargues:* We are then very much, as expected, 20 percent down where we saw both the EMEA Land vehicles organization and APAC coming down according to expectations. EBITA margins are down 8.6 versus 14.3 last year as a consequence of lower sales and also as a consequence of the much lower sales in the section of the market and distribution. Obviously, that was caused when it came as unexpectedly as it did. It causes some extra inefficiencies in our manufacturing that were obviously working in order to correct. That leads to a situation where we will accelerate even more of our strategy implementation. I will come back in a few minutes about that. Cash flow continues to be strong. We came in at 1.3 which is lower than one year ago. Of course, our inventory situation is also different than what we had one year ago. Our leverage as a consequence ended up a three versus 2.91 in one year.

*Juan Vargues:* Looking at APSAYS 5.6 billion or 14 percent down organically with EBITA and in about 483 million or 8.6 with EBITA a margin versus 14.3. Adjusted EPS at 59 ODA and a cash flow, as I already commented, ending up at 1.3 billion. I'll average at three. Looking at the year-to-date numbers, 19.8 billion or 11 percent down organically, with EBITA at a little bit above 2.3 billion or 11.7 percent as EBITA margin versus 13.4. Of course, we have seen an acceleration there in Q3 especially. Let's just remember that the previous four quarters, even if it says it was done. We improve margins quarter by quarter. We have seen quite a bit of a change, driven very much by the substance of the markets. EPS adjusted the BS [inaudible 00:04:11-00:04:13] 56 OEM with a cash flow that ended up at 3.4 billion and a leverage of three, as I already commented. Looking at the size development, of course, it's not a very pleasing picture with ten quarters and with a negative growth.

*Juan Vargues:* We saw negative growth everywhere at this point in all our segments. Again, the surprise was not the OEM, but rather a subset of the market and distribution businesses that came down after... I could say a positive development in Q2. We turn back to the negative in Q3 again. Looking at different sales channels, no major changes. In reality, the change is that the distribution business is waiting. It will be higher since it is dropping less than the other two. We see as well that the RV OEM business today represents 21 percent. Approximately one year ago we were at 22 percent. Other than that it is very, very similar. Let's have a look at the real surprise for the quarter. As you can see on the upper chart, in 2019 the typical seasonality that we see year on year. We see as well, 2024 getting very, very close to the same seasonal pattern that we have seen historically being 2022 and 2023 Deceptions.

*Juan Vargues:* We had just expected a Q3 to start getting closer to 2019 and that never happened. Again, it's difficult to understand... We have been spending a lot of time trying to analyze the reasons. We can only find two reasons for talking to our dealers, talking to... The view on how consumers are behaving. What we hear is that consumers normally upgrade and replace old products. They are now just repairing in the hopes that the product is going to last for one more year and then see what happens in the next season. Of course, that's from a consumer perspective. From a dealer perspective, they are trying very much to avoid building up inventories especially now when getting close to the end of the season in Q3. We didn't expect any major changes in Q4 seeing what happened in Q3. We believe that even Q4 will continue to be volatile and weak.

*Juan Vargues:* Moving over to EBITA margin, of course, it's disappointing to see that after four consecutive quarters where we were improving our margins despite lower sales Q3 came in as a negative surprise. We will, of course, work hard again to repair our margins. Lower sales are one of the reasons. The other main reason is the lower sales and servicing of the markets. We have been working on reducing our expenses and they are down. Of course, as a percentage of sales, they are coming up and we will work on that to take it down again. Looking at different segments, the Americas are down 23 percent organically. Servicing of the market turned back after a rather positive. I would say a Q2 turned down to the negative in Q3. OEM continues to be weak. We also saw the expectations for 2024 coming down, as well as expectations for 2025 condensation coming down as well. EBITA margin was minus 8.2 versus positive 1.7 last year.

*Juan Vargues:* Obviously, we are here to work and do everything we can to turn it into a positive as soon as we can. If we move over to land vehicles EMA organic growth is down by 12 percent. This is really the exception confirming the rule. We saw the land vehicles in here service and aftermarket in the previous table. On the contrary, the deceleration of the OEM business is something that was announced. We have been talking about that now for a couple of quarters. It started already in Q2

and accelerated in Q3. EBITA margins are at 6.55 versus 2.6 as a consequence of the much lower levels in our factories, something we are also working to correct as we speak. Of course, the lower volumes are creating additional inefficiency in the supply chain. If we move over to land vehicles, here in APAC, we see an acceleration of the OEM with negative growth.

*Juan Vargues:* We totally ended up at minus 90 percent in organic growth. It's driven very much by the RV manufacturing decline in Australia. Australia went up basically from an average of 22,000 units for years to 31,000 units during 2021 to 2022. We see that it's coming down to normal levels again. EBITA margins in LV and APAC are about 25.9 which is... We are obviously very happy to maintain those high margins despite quite a hefty drop on the top line. We obviously see here the negative impact of the lower sales and the negative servicing of the market as well. Moving over to marine, 13 percent is down organically. I think that we need to compare those numbers with many of our customers that are seeing both 2530. Some of them are even 40 percent down in negative growth. The technology transformation helps us again to maintain a still a moderate drop in comparison to our peers or our customers.

*Juan Vargues:* We even saw here a decline in service of the market again from a more positive Q2 to a negative Q3. OEM is still very, very, very weak. We are happy to see that we are mitigating the negative effects of the volume drop and staying on 19.3 versus 24 percent last year on the EBITA margin here. Mobile cooling solutions are minus nine percent in the quarter. We saw an improvement in Q2 and then a deterioration in Q3. Prior to Q2, it was very much about inventory readjustments as our main customers in the US market even exactly worse and pretty good. In Q3, we saw something else. We really saw self-rule from our customers to consumers coming down. We then saw as well that our customers and retailers postponed their orders. We are seeing some improvement during the first couple of weeks of October.

*Juan Vargues:* The market again is behaving very, very, very volatile. We have to be careful. We will continue to take a share of the market where we already have a very strong position. EBITA margin with 7.3 versus 10.2. We have launched a new series of cooling boxes. We launched one new series in Q2. We are launching a new one in Q3 and more products are in the pipeline. Finally, the Global Ventures down here is at 19 percent. We decline in the residential business, but also a decline in mobile power solutions that have been holding up very, very well. Now also impacted by the RV and marine situation. EBITA margin of 9.2 versus 16.9. We had a very, very strong Q3 last year. That's also true. Hospitality is developing well and holding the margins very well and we continue. Obviously, this is one of the areas we will continue to invest in and accelerate our investments in pro developments. If we move over to innovation and pro launches that I commented on, we launched the new CFX two series during Q2.

*Juan Vargues:* We are now launching the CFX Five. While the CFX two series is really there to address the need for lower-priced products. It's still a high quality but with less features. CFX Five is really the ultimate active cooling box. That can be the best product that Dometic has ever produced before, and is already launching on the US and Australian markets. We are working on the European markets. We also launched during the quarter, the first cooler of a new generation of automatic coolers, plus another product area where we are investing quite a bit. We continue to do so since we believe that's an underlying growth market. We are also very active in terms of channels. We have a new partnership signed with Volkswagen, where we are going to be the partners with a number of our products in connection to the full launch of the new California series and or panel once.

*Juan Vargues:* Looking at sustainability, it's good to see that all parameters are better than targets, with the exception of ESG audits that we will put a lot of attention to in Q4 to get in line again. It's very nice as well to see a pro-innovation Index. You may remember that we were up to 26 percent. We then got the pandemic because of the inventories. We were postponing a number of pro launches, and we are now improving quarter by quarter. We are moving towards our target of 25 percent. With that said, please, I would like to hand it over to Stefan.

*Stefan Fristedt:* Thank you, Juan. Starting off with taking a look at our income statement for the third quarter. The gross margin is down by approximately three percent units versus, last year driven by lower volumes, which is causing supply chain inefficiencies, including factory cost variances and higher logistic costs in relation to Netflix. On operating expenses, we are below last year. However, the net sales is down. It increases in percentage of net sales. We continue deliberately to invest in R&D in our strategic growth areas, which you also can see as the innovation index continues upwards. We have the line

*Stefan Fristedt:* of amortization and impairment. Obviously, a significant number in the quarter was driven by the goodwill impairment of billion, related to the segment land vehicles Americas that we communicated on Friday last week. Moving on to the net financial expenses, it's almost on par with last year.

*Stefan Fristedt:* Looking a little bit closer into it, we can see that the net interest on bank loans and bonds is coming down. It's 154 million versus 198 last year. We then have some ethics revaluation and other items making up the rest. The taxes are 60 minus 60 million compared to 192 million. Of course, the tax rate is impacted by the impairment loss. Then the adjusted year-to-date tax rate is 32 percent which is compared to 29 percent last year. This is driven by country mix as well as non-tax deductible interest cost, which is obviously going to be mitigated over time. With that, the increased cost is on its way down. Moving over to cash flow. We had a robust operating cash flow of almost 1.3 billion in the quarter. Not on the same level as last year. That's what we have communicated before and we didn't expect that either. It's

driven by continuous working capital improvements. Moving a little bit further down into the cash flow statement. Looking at the income tax paid, it's slightly higher than last year.

*Stefan Fristedt:* That's more related to timing effects than anything else. We then have acquisitions and divestments of 56 million. That is related to a payout of a holdback of purchase price which was there to cover any potential claims against the Warranty and Guarantee catalog. But as there were no effects according to that, we paid that out now during the third quarter. On the financing side, we are almost - negative 1.5 billion. That is driven by that. We have paid back 100 million U.S. dollars according to the plan at the beginning of the third quarter. Last year, we did a repayment for the bond of €300 million. Going to the next. You see the operating cash flow laid out over time. You can see there that the almost 1.3 billion in Q3 is a good Q3 quarter. Obviously, looking at a historical perspective and going further back then in 2023.

*Stefan Fristedt:* We are happy with that? Looking into working capital, we can see that working capital last month was 30 percent and it's down by two percent on units versus net sales. On accounts payable and accounts receivable, it's a stable development. Looking into inventory, in the last 12 months we have an inventory balance of 1.5 billion Swedish krona. The number of days the inventory outstanding is now 139 compared to 146 last year. We continue to work on optimizing working capital, especially on the inventory side. We see further potential in this area. Looking at CAPEX and research and development spending. CAPEX is 1.7 percent of net sales compared to 1.61 one year ago. The last 12 months is 2 percent of net sales. It's slightly down in Q3. On R&D spending, we are on 2.7 percent compared to 2.3 of net sales. It includes capitalized development expenses of 13 million.

*Stefan Fristedt:* As I mentioned before, we are deliberately continuing to invest in structural growth areas. This means that in the last 12 months, we have had 2.5 percent of R&D spending in relation to the net. Moving on to the next. We have our graph showing our net debt to EBITDA leverage ratio. It ended at 3.0 compared to 2.91 one year ago and 2.9 in Q2. It's slightly up on a sequential basis. Obviously, reduced EBITDA is having a negative impact, but it's partially offset by robust cash flow and somewhat also on the fixed development. We continue, obviously, to have a high focus in the organization on protecting margins and reducing working capital. We can just repeat that we are committed to moving towards the leverage target of around 2.5 times. The last is showing our debt maturity profile. As I mentioned before, we paid back €100 million dollar on July 1st, 2024. The average maturity is 2.3 years. If we include the extension of options is 2.7 years. The average interest rate is on its way down and it's now at 4.9 percent. With that one, I'm handing it back to you to summarize.

*Juan Vargues:* Thank you. Thank you so much, Stefan. Before that, I would like to comment a little bit more about our strategy implementation since 2019. We have

been working very, very hard to implement the study that we announced in May 2019. We have changed enormously the statements that we have in the company reducing our exposure to OEM in service of the market and increasing distribution. Of course, when you look at the size part and the last ten months is simply disappointing to see the negative growth. Having said that, we statistically get a pandemic every 100 years. Hopefully, once we leave this post-pandemic situation behind us, we will see that Dometic is a much more stable, much more resilient company than we used to be. We see the Innovation Index coming back again after the pandemic. and we are very happy.

*Juan Vargues:* We believe that we will generate organic growth down the road. We have reduced our cost base by taking down the number of factories from 28 to 23, and obviously by also adapting our workforce to a new situation in the markets. Just as one company, we have reduced more than 3000 people in the last three years as a consequence of the pandemic. What we are doing just now is twofold. On one side, we are looking at a new restructuring program. It is clear that the recovery that we expected is moving slower than we believed. We need to adapt our course base to our new situation. At the same time as we announced a couple of years ago, our intention as well to divest a number of areas is something we have been working on. We have a couple of them already ready for the market. At the same time, we will increase or we are looking at increasing the number of areas that are potential divestments moving forward.

*Juan Vargues:* We intend to spend the coming couple of months working on all the details, and more information will be shared with all of you during the quarter or at the latest in connection to the Q4 report. Summarizing the situation. More of the same, the market still remains challenging, volatile, and difficult to predict what's going to happen again with the exception of the OEM, which is quite predictable. We believe it's going to stay in the same situation during Q4. As I commented, we saw that our customers, dealers, and distributors are very, very cautious about building up inventories. Hopefully, when it turns, we will also see an acceleration of that. We also see consumers during the last month being very, very cautious in spending the money on upgrades and replacement of old products. Clearly, we are not satisfied with the profitability that we showed in the quarter.

*Juan Vargues:* It came as a surprise as I said when the service of the market came down at the same time as our factories suffered from the lower volumes from the OEM. Keep in mind that our factories are primarily driven by the OEM businesses. That's why we are looking at the restructuring program. Strategically, we keep investing in our structural growth areas and we will accelerate our strategy implementation. 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. The next question comes from Fredrik Ivarsson from ABG. Please go ahead.

*Fredrik Ivarsson:* Thank you. Good morning guys. I have three questions. The first one is on marine. You obviously referred to a tough market. I guess the environment here with customers is down to around 20 or 30 percent on average. When I look at the market expectations of these peers or customers, if you will. I notice a quite steep expected improvement in Q4 but still an improvement from Q3. Then the positive growth as we look into the beginning of next year. I'm curious to hear whether you have the same view or what kind of visibility you have when you look into the coming, say, 3 to 6 months in marine.

*Juan Vargues:* We start with the first marine question. I do believe that we need to be very, very careful. Of course, some of the marine customers might see some improvements depending on where they are coming from and the subsegment we within marine. We had one more report as late as yesterday coming from Polaris expecting minus 40 percent for this year. I think it's a mixed bag. I don't expect any major improvements in the short term. On the contrary, we need to keep in mind that the marine markets providing the Q4 is going to be negative. Which I believe is going to be negative as an industry. Of course, that will show that we have 18 months or a drop for Dometic and then we will have about two years or a drop for the industry.

*Juan Vargues:* Of course, sooner or later it will stabilize in the same way as it has stabilized in the RV industry. If you look at the RV industry, it's not developing as the expectations, but it's stable. Keep in mind that the expectations for 2024 for the RV industry were 15 to 20, and the market is going to end up at three percent. I believe that we will see most probably the same evolution of marine. Again, I believe that we need to see some less volatility and some more continuity before we can foresee what's going to happen in 2025.

*Fredrik Ivarsson:* *Iverson:* Yes. Makes sense. Thanks for that John. The second one on the margin EMEA was down six percentage points on year quite a steep drop especially when looking at the previous quarters when you expanded the margin. Can you reload on this, soft margin a little bit? I appreciate the inefficiency, comments, and so forth. Some were more color on this margin drop.

*Stefan Fristedt:* It's obviously driven by the fact that the utilization in our factories or on the lower side... What is here? I lost my track here. Sorry, it's driven by the low utilization in the factories. We are also still seeing higher logistic costs. You then need to keep in mind that logistics cost is not only what we pay to the freight forwarders. There are also some physical structures in the type of cost. Especially on the CPV side, we see a lower margin, and the... For, example, to compensate ourselves with different surcharges and so on is a little bit more difficult in that



customer space thinking about the higher transportation cost from China. I was saying before that, it is of lower demand, but combined we are also reducing inventory quite a lot. Which is obviously also making the utilization in the factories lower than what they would normally be.

*Fredrik Ivarsson:* Okay. Thanks, Stefan. The last question from my side. On the impairments in the US, is there any specific of the acquired companies that this relates to, or is it the whole portfolio, if you will?

*Stefan Fristedt:* It's actually not related at all to any of the acquired companies. It's related to intangible assets that were created as far back as 2011 when the current domestic structure was inaugurated and when equity took over. Nothing related to the newly acquired companies.

*Fredrik Ivarsson:* Okay, good. That's all from my side. Thank you.

*Juan Vargues:* Thank you.

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

*Daniel Schmidt:* Yes. Good morning, Stefan. A couple of questions for me. Just coming back to what we just talked about in terms of utilization being lower in factories as you lower the inventories, which has, of course, created a good cash release for the past couple of quarters. How should we look at that correlation in the coming quarter or quarters?

*Juan Vargues:* Yea. In terms of working capital, as I said before, we still have two high inventory levels. Even if we have done a very good job in reducing inventories, there is still more to come on that side. That's something that we will continue with. Then it's not the same for all segments. Where we have high inventory levels is still in LVA and to some extent in land vehicles as well. For the other segments, it is more of a continuous management from the quarter.

*Daniel Schmidt:* Yes. I just mean, should we expect the same impact in terms of our absorption of fixed costs which I probably... As I understand it, it's what you're referring to happened in Q3.

*Juan Vargues:* Yes.

*Daniel Schmidt:* Is that what we should expect an equal impact or is this mitigated by... You talked about structural cost savings coming to that before the Q4 report. Is that something that could be implemented and you would see a better balance between taking inventories lower and not having the same impact on absorption of fixed costs in production?

*Juan Vargues:* Of course, in the very short term. I think we're also writing in the report that we don't expect any dramatic change in demand for the coming quarter. In general, from our smallest quarter because of seasonality. Of course, in a little bit more medium term, the program that we are going to come back in Q4 or in conjunction with the Q4 report. Of course, that is to address this situation.

*Daniel Schmidt:* Yes. Okay. Maybe as I understood what surprised you was really the service and aftermarket segment coming down the way it did. Was that very sudden as we got into August, September, or could shed some light on the sequencing of what happened in service and aftermarket and what you see going into the last quarter of this year? I hear you saying not that much has changed, but how has that progressed in the quarter?

*Stefan Fristedt:* It was a stepwise duration. We saw July coming weak, August coming considerably weaker, and an acceleration in September clearly. I guess that our assumption is really... What happened is that our customers, dealers, and... Once consumers are careful, as I commented, but also dealers looking that Q3 didn't develop from the beginning as expected, and didn't reorder for the quarter. That's just our interpretation of the situation. I have to say, the question for you will be obviously, what do you expect in Q4? I have to say I don't expect any major changes. I believe that looking at the volatility, looking at... What I believe is that consumers are now waiting to see the interest rate decrease in their wallets. As I said as well, keep in mind that Q4 is seasonally or our smallest quarter, especially in servicing the market. [crosstalk 00:37:00-00:37:03]

*Juan Vargues:* At the same time, obviously, I have to say that you now will look at the trends and we look at the charts. It is clear that we have seen a trend moving into the minus ten, then minus one sorry, minus 11. We need to believe that there is an unsatisfied demand out on the market. Sooner or later this is going to turn. I think that all the negatives that we have been suffering from, will see them turn into something positive. The question is when are we going to see? We believed that we were going to see that in Q3 and it never came. That's why. I'm sorry, but I believe that now we need to be a little bit careful. We need to see some consistency in the numbers before we look at the crystal ball.

*Stefan Fristedt:* Q4 is the smallest quarter, we then know that this is some starch.

Normally, some time at the end of Q1 and Q2 was obviously the largest service north market quarter that we have. Thinking a little bit ahead.

*Daniel Schmidt:* When you look normally at Q3, would you say that the rebalancing when it comes to inventories at retailers and then being more reluctant to take on inventory as they head into the low season? Is that decision and rebalancing normally done in September, or is that constantly done through the end of the last quarters of the year as well, or is that big decision taken in September?

*Juan Vargues:* Normally, we do our service in aftermarket. Distribution is a little bit different, but our service and aftermarket is very much done already when you see how the season is developed. I think Q3 is the very first part of Q3 is already when people feel how flawed traffic looks like, houses, and orders are looking. One of the things that we are hearing from many dealers is that the waiting times for a loading bay where you are repairing your RVs is coming down recently quite dramatically. This is obviously, telling you that people are doing what is necessary to get the RV or the boats to last for one more year. As I said, they are not upgrading and they are not replacing. Of course, sooner or later we will see that change.

*Daniel Schmidt:* Yes. I'm just trying to get to the retail cautiousness. Maybe the bulk of that is already been decided on and more drama probably is not going to happen in Q4. I'm not saying it's going to get better, but we've done that reset.

*Juan Vargues:* Well, they also know what it looks like until yesterday. They don't know what is going to happen tomorrow. You need to measure the flow of traffic. How the orientation is coming down to your base. I don't think that you should try. I think it's very, very difficult. Something happens to your RV and you have to do something. To me, it's very difficult to foresee. Again, I foresaw three months ago that's obvious enough the market would continue to move upward and it isn't. It turned negative. Now I just have to believe that we need to look at what we are getting in every single week. The value chain again just now is expecting changes, but the changes are not taking place at the speed that none of us would like. I don't feel that our dealers are happier than we are.

*Rikard Tunedal:* Okay, Daniel.

*Daniel Schmidt:* Thank you.

*Juan Vargues:* Thank you, thank you.

*Operator:* The next question comes from Martha Ford from Jefferies. Please go ahead.

*Martha Ford:* Hi. Good morning. I just had a question about your restructuring program. You mentioned that divestments would form part of it and that you already had a couple of these lined up. I wondered if you could give more detail about what they could relate to. I know you've mentioned the Americas as a potential area for divestment.

*Juan Vargues:* I'm sorry, but obviously, in terms of divestments, we have not communicated what we have communicated. We have a number of companies that we have been working on. Of course, we need to be very, very careful. We have many people in our organization. To reveal which areas we are looking at might have a negative impact. That's a piece of information that we keep for ourselves. What I can share with you is that we are talking about either non-strategic areas, meaning, old acquisitions where that fit very much into the business 15 years ago, but don't fit anymore. Now we are becoming more of a consumer business. Or areas where we have lower margins, very, very little servicing aftermarket revenues. There are very, very small records in revenues over time. Those are two areas that we are prioritizing.

*Martha Ford:* That makes sense. Thank you very much. Just to understand your performance in mobile coding solutions. It's a bit surprising given one of your key peers was seeing pretty strong development there and is expecting further strength for what? Why is it diverging so much now?

*Juan Vargues:* I understand where you're coming from. I understand who you are referring to. It is clear that they are basically 60 percent D to C. We are 10 percent to C. There is an upside that we have. They are over 50 percent drinkware. Whereas Drinkware is about 10 percent. That's another upside, but we are not there. Those are the major differences. If we are talking about hard coolers, which is really what Igloo is coming from. We are improving our market share even today. Even if the market is coming down slightly, we are improving. Again, I would say, the comparison to our most important beer is twofold. This is one drinkware where there is above 50 percent of the revenues is drinkware and the other one is the percentage, while we are 10 percent.

*Martha Ford:* That makes a lot of sense. Thank you very much.

*Juan Vargues:* You're welcome.

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

*Gustav Hageus:* Good morning guys. Thanks for taking my questions. I'd like to circle back to the impairment that you announced the other day. Is this fair to assume that you're taking down book value for your US RV or US land vehicle business from, say, six and a half to four and a half? Referencing that, why now? This has been in a market that has been troublesome for quite some time, but seems like registrations or shipments are improving. We're at the bottom of the cycle. What drove you to look over the book value at this time?

*Stefan Fristedt:* It's correct. The numbers that are there are full course. Concerning why now? This is a continuous process that we are exercising more or less every quarter. We obviously, have to review the value of our assets. As you know the value of intangible is obviously driven with... When we're looking into the future plan for and the development that we have seen so far and the recovery. We have adjusted our assumptions there. It's adapting to the market situation and that is what we basically believe is realistic going forward. It is something that is on a continuous basis. Obviously, it is this quarter when we saw that we came to this conclusion. Our plans for 2024 were different than how it has been playing out so far. It is also driven very much by development versus the OEM but also on the service and off the market. That is what has been flowing into this. We also noted in our annual report last year that this was the segment with the smallest margin on the impairment test.

*Gustav Hageus:* Sure. Looking at book value is it fair to assume that of the remaining four and a half working capital is probably a billion and a half? You then said that Voltaire mainly relates to the legacy assets of Voltaire. I guess the majority of that is still in that segment. You're actually writing down everything but those Titans by more than half. Is that how to interpret it?

*Stefan Fristedt:* Yes.

*Gustav Hageus:* Okay. Staying with USV, can you shed some light on the development in market shares by the verticals? It seems like it's quite well-known now that you've been struggling a bit in terms of market shares for awnings and refrigerators. I assume the latter one is at least a bit structural and more international competition. In terms of the other subsegments, ACS spares, what have you? How have they developed? Also if you could add a bit of comment on how entangled are they in the rest of your organization in terms of common R&D programs, production sites, and so forth with other segments? That'd be interesting to hear.

*Juan Vargues:* Yes. I think if you look at our entire organization is really a long American vehicle, we have seen the entry as you just said of new players. Obviously, what we have seen is a dramatic drop in volumes which is driving pricing down big time. We opted not to participate in that price war. This means, there is no secret. We have lost market share very much in those two private areas that you commented.

Looking at the rest of the segments, we already commented on mobile cooling. I think after you take LV EMEA will be APAC. We are parity very much. We might lose one percent in one area, and then we will gain another in one percent a different area. I see that is pretty stable or exactly the same with marine. I think it's very much on the LV Americas segments where we have been seeing one-side structural changes on the market. Also, a price war is very much driven by a 40 percent drop in the market. Keep in mind that even if you commented that the market is growing by three percent, the expectation for this year was 15 to 20 percent. The expectation for next year is another four percent. I think that the people having heavy structures are just now trying to keep the structures ongoing by pricing. We believe that in the long run that's not right. Especially, if you want to maintain your position as a premium brand.

*Gustav Hageus:* Thanks. Circling back to the overlap in entanglement with the rest of the organization from U.S RV. To what extent-

*Juan Vargues:* It is very, very little. If you look at a marine business, it is totally dedicated to people. There is nothing and the same value as [inaudible 00:50:17-00:50:18] This is one of the things that we have been doing since I joined the company. We have been getting organizations that are fully dedicated. You might perceive Dometic as being in one industry, but we are not in one industry. We are in several industries. Mobile cooling has very little, very little to do with RV, apart from the fact that you, as a consumer might buy an RV from an OEM or a dealer to an OEM and you might be a cooling box in three years from now. That's the only the only reference. It's like you're thinking about your own home, house, and the roof being the same industry as your TV. You're again buying your product, your home with a number of products installed, and then you're equipping your home. That's exactly the same connection that we have between cooling boxes and portable products. The OEM side is different industries. That's why we have organized thereafter as different industries.

*Gustav Hageus:* Okay. Good stuff.

*Juan Vargues:* Thanks. Appreciate that.

*Gustav Hageus:* Thank you.

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

*Agnieszka Vilela:* Perfect. Thank you for taking my question. Just circling back to America's. Two questions for me on that topic. Do you expect to regain some market

share after removing the production or part of your production back to Elkhart? I think it's owning. You can also provide us with an update when it comes to the transition to compressor fridges in the US. Is that move completed now or do you still have some volumes at risk? What are your refrigeration sales in the US mix, you could share that with us? Thanks.

*Juan Vargues:* The first question was? Sorry

*Agnieszka Vilela:* On moving back to production to Elkhart. If you guys--

*Juan Vargues:* Yes. We are expecting to gain the share back. That's totally correct. On refrigeration, we still sell absorption. We don't see that transition being 100 percent and that's for the reasons. People who want to be ogreid will opt for such an option. The question is, how big is the market we keep selling? That was the second question. You then have another one.

*Agnieszka Vilela:* How big is the refrigeration business in the US makes for you?  
[crosstalk 00:53:03-00:53:08]

*Juan Vargues:* Coming back to the question from some of your peers where we have lost market share very much. It has been on refrigeration and on awnings. The awnings are not structural. It's a question about competition. And that's why we move back part of the production closer to our customers in Elkhart. On the refrigeration is clearly a structure.

*Stefan Fristedt:* On refrigeration, the volumes that we are running now are mainly on service and off the market. We have to keep in mind that there are 11 million vehicles on the roads in the US. Many of them have absorption technology installed from the beginning. of course, some of them would keep that as you have to basically reconfigure your or your RV if you want to run the compressor instead of the absorption.

*Agnieszka Vilela:* Perfect. That's very helpful. Stefan. Just a question to you. Now that's the EBITA is at three times. Just looking at the typical cash flow of developments in Q4 and Q1, it's usually not that good. EBITA probably will be pressured also by this market situation right now. Can you guide us in any way as to what to expect for this ratio in the coming quarters Q4 and Q1?

*Stefan Fristedt:* For Q4, it will not be below three. That's my expectation. Normally, what you see in Q1 is obviously that we are flat or we are down on 0.1. It will follow that pattern then we are obviously taking measures in different areas where that could potentially have an impact. Something that we need to talk about when they

are occurring. The leverage will remain at three or a bit higher for the coming quarters.

*Agnieszka Vilela:* Thank you.

*Stefan Fristedt:* Thank you.

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

*Douglas Lindahl:* Hello, gentlemen. Thanks for taking my questions as well. I wanted to circle back to the marine. Just to clarify, we've obviously, had hurricane season in Florida. I was just curious to if you've heard anything in terms of how that's impacted the production sites for the marine industry in general. Any comments on that?

*Juan Vargues:* Whenever you have a hurricane hitting our estimates, of course, you have... On one side you have a delay. Obviously they are fully occupied in getting back to business. Normally, what happens as well is that your aftermarket will... Unfortunately, it's always when you have a tragedy, it's always tough. Normally for business, it has a positive impact down the road. When are you going to see that? You're going to see that in Q4. Are you going to see it in Q1? Normally, over some time it has a positive impact. [crosstalk 00:57:07-00:57:14] Sorry. Go ahead.

*Douglas Lindahl:* On the factory side from the OEMs, we haven't seen any factories being damaged or anything like that.

*Juan Vargues:* No major damages. On the contrary, we have some damages in some of our suppliers.

*Douglas Lindahl:* Okay. Thanks. Sticking to the US, I read that you haven't said anything basically on the Igloo lawsuit. You're wording on what's going on there or what has changed in recent time would be useful.

*Juan Vargues:* What we have seen is really that... Again, we saw a clear improvement in Q2. We were running close to zero. [crosstalk 00:57:57-00:58:06] No no news whatsoever. The expectation is still the way we know more by April next year.

*Douglas Lindahl:* Okay. Good. Thanks. My final one is basically, shifting away from what's going on right now and just looking at a future where your balance sheet is



back to a good situation and volumes are solid again. I was just curious to hear what stars are aligned again. What would be an ideal acquisition for domestic and where do you see the business increasingly focused over the next five to 10 years? Basically, the ideal acquisition of the idea is the question.

*Juan Vargues:* We have been investing or if you go back to 2021 and 2022. We were doing quite a few investments on one side of the portable product area. Moving more away from high discretionary spending into low discretionary spending. That was one of the targets. The second one was mobile power Solutions. Together with marine are the three areas where we see more investments coming through. Of course, again, you should never say never. We have seen that we don't see the need to have more factories. We don't see the need to have more OEM-driven businesses. We see more distribution, more consumers basically. Unfortunately, we got the pandemic in between, right=? But if you see what we have done in the last six years is a lot to change our mix from high discretionary spending into low or lower discretionary spending.

*Juan Vargues:* Of course, the pandemic is changing all statistics and challenging all facts that we had prior to the pandemic. That's why we need to go back. That's why we are also communicating as we are doing what we want to invest more in the underlying growth areas. We see that anything happening with energy is going to be a growth area. The automotive industry has doubts about electrification is coming and it's going to be much more than we have today, even if it's not going to be 100 percent. We see that the expectations for coolers up to 2030 are eight percent for several years.

*Juan Vargues:* Of course, we want to be part of that journey. We know that we are underrepresented in Drinkware. We would like to be a part of the Drinkware market which is consumer driven. I think we have a lot of clarity on where we want to invest. That also means that we need to refocus even more and even faster. Looking at the situation that we have seen over the last quarters. It makes it even more in action to hurry up. We don't want to be in the same situation in the next cycle.

*Douglas Lindahl:* That's fine. Okay. Thanks so much.

*Operator:* The next question comes from Stephanie Vincent from Bank of America. Please go ahead.

*Stephanie Vincent:* Hi. Thank you so much for taking my questions. A lot of them have already been answered. I was wondering about the servicing business versus the OEM business. On your customer's inventories... It's a bit of a question. We realize the inventories at the dealers are fairly high. I was just interested in do you guys keep up with the average age or holding period of recreational vehicles and

where you believe that underlying demand or replacement cadences. Maybe if that's been, we know it's been pulled forward by the pandemic, but just interested to know if the RVs and marine products that are outstanding are much newer now than they were before.

*Juan Vargues:* Yes, we know that quite well. We know it by the whole industry how the fleet has been increasing in recent years obviously prior to 2022. At the same time, we also know the cadence for every single product or the product of what we are working obviously. You don't have the same cadence for every refrigerator that you have for air conditioning equipment, for instance. You have high frequency and low frequency. That explains as well when we are talking about exiting. We are talking about divestments. Obviously, that's one of the areas where we are looking at. It's not the same if you have low margins, but recovering revenues will come in 20 years. If you have low margins on the OEM and then low recurring revenues. That makes a huge difference.

*Stephanie Vincent:* How can we think about the sensitivity of your customers to interest rates? I know that you're saying that you're expecting the demand to be pretty stable in the coming quarters. How can we look at that moving forward now that we've gotten some rate cuts?

*Juan Vargues:* I feel that even if the rates have been announced, I believe that just a lot of people are waiting to see those lower rates in their pockets. Normally, it takes some time. You have a delay right in the system. I simply believe that a lot of consumers on one side are waiting for even lower rates. At this point, we don't know if it's going to be... Sorry, I know, point 25 or 50 in the US when Fred comes next time. We don't know that yet. I think that's the kind of reassurance that consumers need to see. I think it's on one side getting more signals but also seeing the effect on your pockets. Of course, we will see a difference between the services of the market that I believe is going to be much faster.

*Juan Vargues:* The OEM that you already have today for North America. You have a forecast from the association, which is talking about seven percent. You have another forecast from Baird which is talking about four percent. You just go back a few months. They were expecting 20 percent for this year. It's coming to 2024 and it's going to become three percent. They were expecting close to 15 percent for next year. We are now talking about four to seven. I think if you have a delay on the OEM, it's not going to drop, it's getting more stable now. I believe that we should not expect the OEM side to get back to 400,000 during the coming one or two years. I think it's going to take a while. I think our service and distribution are going in a different cycle. I think that will be much faster.

*Rikard Tunedal:* Okay, Stephanie.

*Stephanie Vincent:* That's very helpful. Thank you.

*Juan Vargues:* You're welcome

*Operator:* The next question comes from Johan Eliason from KeplerCheuvreux, please go ahead.

*Johan Eliason:* Yes. Hi. It's Johan here. Thanks for taking my question. I dropped out of the call suddenly a bit earlier. I might have missed your reply. Coming back on on the issue of market share losses. We understand this structural change on the compressor fridges. What does this transition look like in Europe? Is fridges an important part of the profitability in Europe?

*Juan Vargues:* If you look at the European market, it has been there for a while. The difference between Europe or Australia and the US is the size. The American sizes, you think about RVs in the US or the sizes in Europe or in APAC are totally different. An American RV has a lot of space where you... What we have been seeing is the entry of residential companies or sorry Chinese companies manufacturing residential refrigerators that in size and features compressor driven are very similar to what you are using at home. We don't see that happening in Europe or in APAC by any means, that speed, simply because the vehicles are different, sizes are smaller, and it takes some major investments to adapt to this small industry. The US industry is on one side. You have the size of the industry as such, which is twice the size of the European industry 15 times the size of the Australian industry, but then also the size of the vehicles makes a difference. The profitability of refrigerators in Europe is not very high either.

*Johan Eliason:* Okay. Excellent. Thank you very much.

*Juan Vargues:* You are welcome.

*Operator:* There are no more questions at this time. So I hand the conference back to the speakers for any closing comments.

*Juan Vargues:* Well, thank you very much to all of you for attending this call. We know that this is a very busy day for many of you. What we can reassure you is that we are obviously, doing anything we can to restore our profitability after this weaker quarter. It came as a surprise for us. We are doing anything again to get back to where we are coming from. So thank you very much for your attention. Have a great day. Goodbye.