Transcription

Dometic Q4 2024

29 January 2025

Juan Vargues: Hello. Good morning everybody and welcome to this call for the last quarter of 2024. Let's proceed immediately with the highlights. Regarding the market, there are no major changes in comparison to what we saw during the last couple of quarters. We still see tough market conditions. We see as well that consumers are still being cautious, even if camping grounds have been filled during the season. Still, the question is very much on the retail inventories and the fact that our customers seem to be still cautious in building inventories during the season, but also now ahead of the season. We have noted the last two quarters where we get a month that looks slightly more positive, and then we see orders coming down again. The feeling is that dealers do have difficulties calibrating how much they should have in stock for the time being.

Juan Vargues: Looking at other performances, organic growth went down 13 percent. Service of the market ended up at minus nine percent, which is a slight improvement in comparison to Q3. In this case, we have to consider that last year we had a pretty strong quarter in Q4, especially in the Marine area. We were also happy to see mobile cooling coming back. After a weaker Q3, they came back with a better Q4, an improvement as well in comparison to Q3. On the OEM side, on the contrary, while we see that the Americas are improving-- The rating is lower than we have seen during the last quarters and the same is valid for the Marine OEM. At the same time, we see how the OEM in both the EMEA region and APAC is accelerating exactly as we were expecting in the last quarters. EBITA was lower at 7.3 versus 8.7 last year. Even here, when excluding the one-off due to the tariff recovery that we had in the US, we ended up at six percent in comparison to the 8.7. As you all know, we introduced a reduction restructuring program on the 12th of December that will have an impact in the coming years.

Juan Vargues: I'm happy to report a very, very strong cash flow as well up to almost 800 million Kroner, leading to a leverage of 3.1, in comparison to three that we were showing in Q3. Looking a little bit deeper at the numbers, sales ended up at close to 4.8 billion, or 13 percent negative growth. EBITA margins ended up at 7.3, again excluding the one-off, and at about 6 percent, reaching an EBITA of 349 million. When you exclude it, the one-off will be 286. Looking at EPS, negative adjusted EPS of 35 Öre. As I mentioned, a very strong cash flow, almost 800 million, and leverage of 3.1 in comparison to three times last year. Moving into yearly numbers, 24.6 billion [inaudible 00:03:39-00:03:40] a year with a 12 percent organic drop. EBITA was almost 2.7 billion. We consider it to be a still very decent EBITA margin of 10.8, considering the tough market situation. Adjusted EPS and in APA 3.21 Krona operating cash flow over 4.2 billion, which is the second-highest cash flow ever seen in the history of the company.

Juan Vargues: Looking a bit deeper into the sales evolution, there is negative growth in all the segments. As we have seen, as I commented before, we see stabilization of business in the Americas. We also see a lower drop in the Marine OEM, while we see the OEM in EMEA and APAC accelerating. I'm happy to see NCS, as I mentioned before, and then globally. Even here we have the NPS business. That's also impacted by the iteration of the RV industry. Looking at the net sales of the market, there is a slow recovery. Sorry. I missed one, sales channel. Looking at OEM, as you can see, has never been percentage-wise in terms of sales lower than just now, 40 percent. We see obviously that we are at the lowest level on the cycle, and that business should start growing during the second half as per our estimation. Then, looking at the RV OEM side, it is down to 20 percent of the total sales for the company. Looking at servicing and aftermarket, there was a very, very slow improvement in Q4.

Juan Vargues: As I commented at the beginning, we really see a change every second month. We see that they are buying inventory, and then they get a little bit slower. In this case, I mentioned that Marine was very, very strong in Q4 last year. If we look at both the American business from the service of the market and the business in the Pacific, they were in pretty good shape in Q4. However, the numbers are drawn down by the situation in EMEA and in Asia, as well as in Marine. We see as we commented last quarter that people are not upgrading products. They are not replacing products. They're rather repairing the products, waiting for one more to upgrade. Looking at our EBITA evolution over time it's 7.3, but then it's six percent excluding the one-off. We see gross margins pretty stable, slightly down 20 base points. We see as well that we continue to invest. I think that this is also important to mention. We have kept investing all the time in pro-development, and in building up our sales organizations at the same time as we are reducing capacity all the time in our manufacturing, operations, distribution as well as in administration.

Juan Vargues: The number of FTEs is down 15 percent in one year, about one-third, so 33 percent during the last three years. In my opinion, we are doing a fantastic job in the organization reducing capacity. At the same time, we are not jeopardized in the future by reducing pro-development or the sales organization. Looking at the different segments, Americas are organically six percent down, a stable service and aftermarkets and less decline in the OEM site that we have seen before. EBITA margin is -7.3 versus -6.2 last year. It's a consequence of lower sales. We continue to reduce capacity. Of course, we are sitting on infrastructures, and it becomes tougher and tougher. Hopefully, we will see the situation of Americans starting to show a positive evolution during the coming quarters.

Juan Vargues: Looking at land vehicles in EMEA, this is really what we saw together with the situation in APAC. The iteration on the OEM side, so to speak, and organic growth is down 90 percent. It's very much driven by the OEM side. EBITA is positive at 0.3 versus 2.4 positive last year. It's a little bit like the situation in the Americas now, about keeping producing capacity at the same time as we keep investing in product development.

Juan Vargues: Looking at land vehicles, APAC is down 23 percent. It's the same story. It's very much driven by the OEM. We still feel very proud of the EBITA margins that we are delivering 26.6 versus 29.1 one year, and I believe that this is important to consider. In this case, when you have the high profitability that we are showing in a couple of segments, whenever they are dropping off the magnitude that they are dropping, it's very difficult to compensate on the bottom line. I feel very, very proud of what we are doing there. The same is valid in Marine. It's down 12 percent. We see OEM showing a low-end iteration that we saw in previous quarters, while the aftermarket was weak in the quarter. Still, margins are very resilient, with 19 percent for the quarter. In this case, we have to keep in mind that we are investing heavily in a new product generation in a new product area that we are launching as we speak in February. Looking at Mobile Cooling, organic growth is down five percent. It's a clear improvement versus the previous period's Q3 EBITA margin of 7.4. Of course, it's positively impacted by the one-off.

Juan Vargues: Even excluding that, we are positive in comparison to last year even if we are showing negative organic growth and even in this case with a lot of investments both in product development and building up our global resources. Moving over to Global Ventures, organic growth is down 11 percent. We see growth in hospitality. This is also positive. While residential is down sales-wise, we see our intake starting to show positive numbers now for a few months. Somewhere we start to see some green shoots, especially in the distribution area, with Igloo being better with hospitality still driving very nicely and residential. We are starting to show a positive orientation. On the contrary, mobile power solutions, which are very much driven by the RV industry, are still down. EBITA margin is 5.1 and even in this case, we have investments both in the pro-development area and in building up our global sales organization. Moving forward to sustainability. We are very happy to see as well the results.

Juan Vargues: Injuries are doing well and our target, female managers, are at the same level since last year, well above the targets that we decided a couple of years ago. Regarding CO2, there are important improvements. We have seen very clear improvements year-on-year since we started to pay more attention to this area of the company. Audits are the same, well in parity. I'm also happy to report what I already have said, that we continue to invest in pro-development. The innovation index ended up at 21 percent versus 17 percent. In terms of pro-development, we just launched a new series of air conditioners showing a fantastic performance, including also the new refrigerant that is going to be regulatory from next year. With a fantastic achievement, we are reducing global warming potential by 78 percent, which is pretty amazing. We have been investing quite a lot in mobile cooling. We saw the first results last year in terms of seeing the Igloo-branded products. Active cooling started to begin on the American market. We also extended the portfolio to more models to attract more consumers at different levels and price levels.

Juan Vargues: We also invest in obviously the outdoor standalone areas and how to get MPS to have an impact on all different areas of Dometic, something that is starting to take place. We also introduced a cost reduction program on the 12th of December. The expectation is to have annual savings of 750 million. Once we are totally done at the end of 2026, we will see the first effects starting in Q1, 2025. We have no impact in Q4. As you may remember, we have restructuring charges of 1.2 billion, of which 400 million are impacting cash flow. The whole amount is booked in Q4 and the cash will be having an impact from 2025. Looking at the businesses that we also communicated will be discontinued. We are talking about 800 million altogether. We had no impact in Q4. We will see a gradual impact in the quarters to come. As we also commented, we are looking for a number of divestments that will lead to a total annual sales of 1.5 to three billion.

Juan Vargues: As we commented, we are not going to disclose any details. It is a working process. We feel good about the progress, and we will comment more obviously when we have the final completions. With that, Stefan, yes, I follow the last one. Sorry. The new organization. Obviously, this is also a consequence of the restructuring program that we presented. This is a little bit of what we have been doing in the last years, really getting more focus into different verticals. We have three regional areas for land vehicles that are going to be converted into one single segment called land vehicles. Since we have the restructuring program, we are going to take it stepwise. It means that we are going to consolidate into land vehicles, but we will still be disclosing the evolution for the three regions until the restructuring program is completed. We are just now in the process of recruiting a new lead for global land vehicles. Until that person, that individual is in place, I will be having the segments, and we are planning to start reporting from Q1 this year.

Juan Vargues: Again, it's going to be an aggregated number, and we will have a disclosure of the three different regions as part of the LV. Now, Stefan, could you please take us through the rest?

Stefan Fristedt: Thank you, Juan. Starting with the income statement for Q4. The gross profit margin is holding up well, as we have seen also in the past. That's the result of that we are continuously working on adjusting capacity, as was mentioned here before. We also have a sales mix effect, less OEM part of the total sales. Then, we are also starting to see the logistics cost coming down. From an operating expense point of view, we have a positive impact. However, it's still higher in percentage of net sales. We are obviously continuing to invest in strategic growth areas, while we are controlling the spending in other areas. Then we have the one-time positive gain of 63 million related to tariff refund within mobile cooling for 63 million. It's booked on the line, other operating income and expenses in line with previous handling of these types of items. Then on net financial expenses, they are slightly up versus the same quarter last year. The net interest of bank loans and the financial income is 136 million. Then we have FX revaluation and other items of 38 million.

Stefan Fristedt: Fortunately, the improvements on this line are a bit masked due to the currency effect. On the tax side, we actually have a positive effect of 40 million in the quarter, and that has been impacted by the items affecting comparability in the quarter. Moving over to operating cash flow. 784 million is a good Q4 number. It's a little bit better than what we expected, driven by underlying earnings, but also on the development of working capital. With that, we move on to the underlying parts of core working capital. As we see, accounts payable are stable for around 55 days. It's the same thing on accounts receivable 45 days on average here. Then inventories which we have been working very dedicated for 138 days and the trend is continuing down. The working capital in relation to net sales is 29 percent. Working capital as such is coming down, but obviously net sales are also coming down. That's a little bit why we are a bit stuck on that KPI.

Stefan Fristedt: As I said, the number of days of inventory, 138 days, and in constant currency, that's a reduction of around one billion in the full year. However, we continue to be committed to our target that over time we should take the working capital down towards 20 percent of net sales. Moving over to CapEx and R&D spending. CapEx in the quarter was slightly higher than the previous quarter's, 2.1 percent of net sales but 1.3 percent of net sales for the full year. We will keep controlling this even though we feel that it's a bit on the low level, but that will then start to change when the overall business climate is changing. Looking at R&D spending, 3.3 percent of net sales, compared to 2.8 percent the last year. It includes capitalized development costs of 13 million. We continue to invest in structural growth areas. Marine and Mobile Cooling are the most obvious examples here. For the full year, it is 2.6 percent in relation to net sales. We're taking a look at our free cash flow here in Q4 and in the full year.

Stefan Fristedt: As we mentioned before, there is a robust operating cash flow in the quarter, and it is the second-best year ever supported by reduced working capital. The global restructuring program of approximately 1.2 billion is included in the adjustment for non-cash items. For example, when you're looking at the change in inventory that is not impacted by the part of the restructuring program, which is related to inventory write-offs, that is a clean number. We have a high focus on working capital optimization, and that will remain in 2025. We will continue to carefully prioritize investment in fixed assets, as I mentioned before here. Free cash flow before M&A, the income tax paid, declined in 2024, which is of course natural because the earnings are lower. Then the paid and received interest has been trading down in 2024 as expected. We are prioritizing taking down leverage, of course. We have said that all along.

Stefan Fristedt: The global restructuring program also includes divestment opportunities going forward, which we have mentioned. Then they will be communicated at the point when they are realized. Moving over to the EBITDA Leverage Ratio, we ended at 3.1 after Q4, compared to 3.0 in Q3. The EBITDA is contributing slightly negatively, compensated by a positive cash flow effect. Then we have the strengthening of the Dollar versus the Swedish Krona which then impacting on the FX side with approximately 0.2. As I said before, we are continuing to be very committed to achieving our leverage target of around 2.5. That's why we are expecting to take a significant step towards 2025. Taking a look at the Debt Maturity, we have average maturity of 2.1 years. If we include the extension options, it's 2.5 years. The average interest rate on the debt portfolio is 4.8 percent. We have an undrawn revolving credit facility of €280 million maturing in 2027. We are, as always, continuously working with our debt portfolio.

Stefan Fristedt: Moving over to the Dividend Proposal by the Board. It's proposed to pay 1.30 Krona per share, compared to 1.90 Krona per share last year. The motivation is that it reflects a balanced view of the financial position, business outlook, and current market conditions. That would be 40 percent of 2024 adjusted EPS. As you know, our dividend target is at least 40 percent of net profit over a business cycle. With that one, I hand it back to you to summarize Q4.

Juan Vargues: Thank you, Stefan. Let's start first with more of the facts. Clearly, the market was another challenging one with organic growth down 12 percent EBITA that we consider to be robust considering the situation. EBITA ended up at 10.8 and a very strong cash flow of 4.2 billion. If we look at the outlook for 2025, it's clear that we are entering the year with lower inventory levels practically everywhere, even in the areas where we see [inaudible 00:25:04-00:25:05]. We are talking about APAC or Marine inventories are coming down quite dramatically now when production is coming down at the same time as registrations are up or much less down than production. We feel confident that we are moving in the right direction. The market is moving in the right direction. We are also expecting service and other markets to recover step-wise. We have said that a couple of times. We have seen it a couple of times back and forth movements. We see that our customers in the distribution channels have difficulties to calibrate.

Juan Vargues: The good news is that consumers keep camping. As far as they are camping, they are using our products, so it's going to come back. It's a question of when. Then we see OEM. Even here I have to repeat myself. We see inventories coming down. We see that inventories in the RV side in North America have not been lower for the last 20 years. It is massive. We see also that if you look at Marine, while retail is down seven percent, manufacturing is down 29 percent. It should be relatively fast now until we get into some stabilization of the markets. From that perspective, we feel that we are a little bit closer to the [inaudible 00:26:25-00:26:26] and that we should be passing somewhere during the first half. Then strategically, I feel that we are doing a very, very good job. We keep simplifying our business. We are taking a lot of the complexity that we used to have. We have decided to run another restructuring program that will reduce complexity, additionally. We are working with our investments. We feel that we will get some of this done in the coming quarters.

Juan Vargues: We are, as you know, simplifying as well our structures with LV now becoming one single vertical instead of three. We believe that that will also lead us to a faster restructuring program and additional simplification of the business, and we keep investing. Even if we are reducing costs in all areas of the company, we are accepting really pro-development, where we keep investing all the time. We see more and more products coming to the market, and the other area where we are investing is in building up some new business areas, both in terms of salespeople and building up the organizations. I cannot say that we are happy. We can never be happy with your performance when you are delivering less money than we did last year. I'm really proud of what we are doing as an organization. I'm fully convinced with all the efforts that we are making. Once the market comes back, we will have a fantastic upside. 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 Sundal Collier. Please go ahead.

Fredrik Ivarsson: Thank you. Good morning, gentlemen. I've got three questions. The first one is on EMEA. Obviously, it's solved in the quarter due to the planned production halts among the customers, but what do you see and hear from your customers in terms of production volumes when you look into Q1, please?

Juan Vargues: It is still soft. All customers are communicating more in the second half than they are they communicate in the first half. I don't think that we will see any fantastic numbers coming in Q1. I think it's going to take the first half. [inaudible 00:29:23-00:29:24] Registrations except December. December was slightly negative. Except for December, we have 60 months during the last period that there have been positive registrations. That's really positive, but then we have massive shutdowns by KNAUS, HYMER, and all the major players, Trigano. Of course, that has an effect. At the same time, all of them seem to be very positive about the second half.

Fredrik Ivarsson: Okay. That's clear. Thanks. The second one, on the distribution business, you mentioned that the ramp-up of new products sort of supported growth in this business. Can you give an indication of this impact, and maybe you could talk also a little bit about the pipeline for the coming quarters?

Juan Vargues: Yes. I cannot give you an exact percentage, but it's clear that we launched a totally new series called CFX5. On the domestic brand, we launched a new series called CFX2, which is a more affordable product. We launched the new active coolers under the Igloo brand. We are launching the new range both in APAC and EMEA. Without any kind of doubt, that had a couple of percentage points of growth for the year 2024. Then moving into 2025, we have a whole new range that we will be launching in Q1 and Q2 as well, both on the high coolers and on the soft coolers as well as [inaudible 00:30:56-00:30:57]. Those investments will continue, and you will see wave after wave of new products. That's one of the areas where we are betting.

Fredrik Ivarsson: That's also very clear. Thank you. The last question is on the networking capital and I guess inventory in particular. You've been reducing the position quite significantly during the last year, as you talked about, Stefan, but what do you plan for 2025? I guess you might not reach the 20 percent target already this year.

Stefan Fristedt: As I said before, the networking capital is clearly coming down. You can see that in absolute terms. Then the KPI in relation to net sales is a bit challenging when we have the organic development as we have. However, with that said, for 2025, I still say that we have further possibilities and potential to continue to reduce working capital. We are working on it. We have plans for it. As Juan mentioned, we had the second-strongest year ever in operating cash flow. We will be able to repeat that in 2025. It's probably going to be a little bit lower than that, but there is still continuous potential to reduce working capital.

Fredrik Ivarsson: Perfect. That's all my questions.

Juan Vargues: Thank you, Fredrik.

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

Daniel Schmidt: Good morning, Juan and Stefan. Just a couple of questions from me. Coming back to RV, but maybe more on the US side, if I look at your numbers for Q4 and try to dissect what is RV and what is off the market given what you write, it looks like the underperformance that you've had for a couple of quarters versus the RV shipment data is looking a little bit less bad. Is that just base effects, or is it you sort of regaining some momentum with the customer base in the US?

Juan Vargues: I think it's still early to say, but it looks better on the RV side, but it looks also better on the CPV side. It's a combination of both. Then on top of that, we have a service market doing reasonably well.

Daniel Schmidt: Okay.

Juan Vargues: There is an aftermarket. When I comment that this a little bit every second month, that is also valid for North America. You get the feeling that the dealers do have difficulty to calibrate. We had a weaker Q3, and we had a pretty good Q4.

Daniel Schmidt: Good. I heard your comments on EMEA, but it's hard to refrain from the fact that if you read Figure's latest trading update, which was very poor and top-line, there was a positive signal when it came to underproduction. They basically said that they would stop under-producing during the start of 2025. Is that old news? Have you heard anything else regarding that, or how do you view it?

Juan Vargues: No, not really, but I guess that we are back to the never-ending discussion. You have your customers, and that's one of the parameters that we are following. At the same time, we also have a track record of our customers being a little bit too optimistic in comparison to what we see for real later on. We are simply trying to follow as closely as we can, and I cannot be sitting here today and saying that I'm expecting fantastic growth next year. I don't see that. I do believe that. We will see some improvements. I think Q4 was tough, and of course, all factories were shutting down in December. However, this year, as you are aware, some factories shut down already in November and some factories are planning to start producing again in February. It has been a very, very long prolongation. Regarding Q1, I believe that January will be tough for many since the factories have been closed down. I believe hopefully that we see some improvement in Q2 and then the improvement for the rest of the year.

Stefan Fristedt: The production stop is related to that. The inventory levels by the dealers have been elevated. When you try to estimate how that looks like between the different manufacturers, it looks different. Some are better off and some are a bit worse off. It's not surprising that you may get a bit of different signals from different manufacturers, depending on how their inventory situation looks like.

Daniel Schmidt: Okay. Good.

Juan Vargues: I have to come back to that, Daniel. I think the good news is that if you compare the European market with the American market, the positive is that we have registrations now for 16 months. If manufacturing is down 20 or 25 percent, it doesn't take that long before you are imbalanced again. There is a balance in the US. We should get balanced during this year in Europe as well. It is exactly the same in APAC. We see heavy drops at the same time as retail is not falling by any means at the same pace. [00:37:12-00:37:15]

Daniel Schmidt: Okay. Good, and just maybe two shorter ones. When we talk about discontinuing certain product categories which were announced before Christmas 800 million in total, do you have a good view of the sequencing of that discontinuation? Is that going to be H1 heavy or is it going to be gradual throughout the year or sort of some help with modeling there?

Juan Vargues: It is going to be stepwise. I cannot tell you so much more. It is going to be stepwise, and it's going to be a bit different depending on geography as well since the plants are not the same everywhere. This is really what we are trying to simplify, Daniel, as well by creating a healthy organization. Since we had three organizations, they had different focus on different product areas in different regions. Of course, what we are trying to do is to build up something which is when we are developing products we have a similar approach. When we are betting on a product range, we have a similar approach. The intention is to take one more step into the simplification in the same way as we did with Marine or the others. This has an impact on the business continuation of the process as well.

Daniel Schmidt: Okay, maybe just the last one. It's been very erratic when it comes to different statements regarding Mexico and Canada, and tariffs by quite aggressive as of late. Have you taken any actions in the past couple of weeks to mitigate any sort of very negative surprises on tariffs?

Juan Vargues: No. We are working very, very close. We have our people's attention. We have our tables, and some impact here and there, but so far just now it's impossible to make any decisions. It's always the same. No matter what you do, you don't know if you are going to be right or not. We know the impacts. We know that we have capacity in the US. If we needed to move some capacity back to the US, we have Canada. It is going to be dependent on which country is going to be impacted the most, and then we will take action. Then I think it's important to remember, keep in mind that in terms of the US market specifically, we have been competing with Chinese companies in the last three years. If it becomes heavy duty on China, I don't necessarily believe that it's going to have a negative impact on us. It might be the other way around.

Daniel Schmidt: Yes, sure. I'm just thinking more about Mexico maybe, and to some degree Canada, but maybe in Canada, you feel that you have fairly good pricing power and yet you can pass on any tariffs. I guess it's a bit more difficult in Mexico, given what you're sourcing from there.

Juan Vargues: Yes, but at the same time, we also have many of our competitors sourcing from China. Our main competitors are sourcing from China both components and finished products. We are not. I think we will need to wait. Daniel, I would love to tell you, "This is what we do now because we know." Now is simply guessing. Keep in mind that we were coming from six months of discussions on 60 percent tariffs in China. That would be 35 percent extra tariffs on existing products. That would obviously kill Chinese imports. Now all of a sudden we have tariffs on Canada, so I simply think that we need to be patient. Work is clear that we are working internally, but if the question is, "Are you building capacity in the US here now," the answer is no. We have the capacity.

Daniel Schmidt: Thank you guys. That's all from me.

Juan Vargues: You're welcome.

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

Gustav Hagéus: Thank you for letting me ask my questions. Good morning guys. If I can follow up on Daniel's questions on the trade tariffs and all that, how big of a process would it potentially be for you to reverse the decision to unwind the refrigerator business in the US in a scenario where the market would dramatically improve on the back of new tariffs? I believe it was 25 percent of your business in America at some point. Could you expand on that? That'd be interesting.

Stefan Fristedt: From my point of view, I would say that the resources that we have internally in terms of assembly operations, we have them still, but then in the step that we took we were fortunately outsourcing a part of it. I think it's more of the on-the-supplier base then and a bit of our assessment on how long term is this. Is it going to be a change that is going to be for a longer period, or is it a short-term reaction? It will have to be an assessment of the longevity of such an opportunity as well.

Juan Vargues: It's going to be judged by problems and country by country at the same time.

Gustav Hagéus: Okay. On another note-- Sorry, go ahead.

Juan Vargues: No, as I commented before, we have all the segments. We have plans, but it's difficult to just push buttons without having certainty.

Gustav Hagéus: That's understandable. On another note, once you've consolidated all your RV into this global new segment, could you expand a bit on what will be the interdependencies between that RV segment and the other segments and businesses?

Juan Vargues: Very little.

Gustav Hagéus: Very little?

Juan Vargues: Yes.

Gustav Hagéus: What would be the business rationale to keep it internally, rather than to maybe have it live its own life outside the Dometic?

Juan Vargues: At this moment there are no plans. Again, as a company, you should never say never. If you look at what we did with Marine, if you look at what we did with MCS, if you look at what we did with WPS, and what we did with hospitality, we are building up global businesses. The rationale is that we believe that this is simplifying the structure, that we will gain efficiencies, and that we will make decisions that will impact the entire globe instead of having three teams drive in kind of different questions at different times. We are doing this not to divest. We are doing this to develop. Then you never know.

Gustav Hagéus: I appreciate that. Thanks, guys.

Juan Vargues: Thank you.

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

Martha Ford: Hello. I just have a couple of questions, first, on the consolidation of the land vehicle segment. I previously said that the differences between the geographical markets, that it was pretty difficult to consolidate them into one group. What's changed your view now, and how do you plan to go about the consolidation?

Juan Vargues: It is really difficult to wrap you up, but if I understood well, the question was, "Have you changed your mind? You were talking in the past that the products were different, and now you are doing this." Is that right?

Martha Ford: Yes.

Juan Vargues: Okay. It is true. The approaches are different. You have different sizes, but you also have a lot of commonalities. Today in the LV regions on one side we have some B2B. On one side, we have a lot of B2B, and we have some B2C. On the products, it is clear that you have sizes, but you still have a lot of common componentry. The way of approaching the market is common. If you look at the factory where we are manufacturing in China, it is very much going to both the land vehicles of EMEA and the land vehicles of American organizations. That trade will be simplified dramatically. The way of prioritizing will simplify. You are getting very much of a similar situation that you have. In all the other segments, it is not always that you have exactly the same products, but you still have more commonalities, and you have more efficiencies by putting this together and just having it independently as it is today.

Stefan Fristedt: The best example there is our new air conditioning range, which is a global range building on a modular design. That's a very good example of a global approach.

Juan Vargues: If you go back two years in time, we have much more complexity in terms of products, and in terms of variations. What we are doing along the list now when communicating both the structuring program and divestments is that we are taking additional complexity from the different LV businesses. This makes it possible all of a sudden to have one common organization.

Martha Ford: That makes sense. Thank you very much. Then, secondly, on the outlook for 20, 25 years as a whole would be under pressure, but given the improvement we're seeing in the Americas and in Marine, is there a chance that you could actually see growth in H1, or is that the--

Juan Vargues: I'm very hesitant about H1, altogether. I do believe that we will still OEM down. As you can see on the OEM, we were down 18 percent in Q4. I don't think it's going to be perhaps 18 percent in Q1, but it's going to be, in my opinion, a two-digit negative. I do believe that it's going to get much better in the second half. I think that H1 is going to be very much about servicing the market and distribution. Then hopefully we will see the OEM side coming back in H2.

Martha Ford: Okay. Thank you very much.

Juan Vargues: You're welcome.

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

Johan Elison: Hello, Juan and Stefan. I hope you can hear me well.

Juan Vargues: Yes.

Stefan Fristedt: Yes.

Johan Elison: Good. I'm wondering a little bit about Q1 and the seasonality. Obviously, there is a very weak cash flow in the first quarter normally. Now what we hear is that your customers are pretty cautious. I heard something from Brunswick indicating that all the dealers are very late in placing orders because they know that all the suppliers can sort of deliver pretty quickly. How do you manage this? I guess you have to have some inventories available for you to be ready if there is demand and at the same time you want to manage your cash flow. Are you doing any type of factoring or extra things like this right now?

Stefan Fristedt: No, we are not doing any refactoring as we speak. To address the question that you have, this is a very fine operational balancing act that we are doing right now. The interesting thing is that if we look at the last 18 to 24 months, there has just been a discussion about reducing inventory, reducing inventory, and reducing inventory. Now the discussion is both including a discussion about the continuous optimization of inventory. It's also making sure that we are not missing out, as you are saying that all of a sudden, we have problems with the service level to customers. It's a little bit of a more balanced discussion right now, which is a sign in itself.

Juan Vargues: As I said, it's also a question of how you see orders coming in. Even if we have low visibility, we have higher visibility in some areas than others. As I commented before, we start to see positive orientation now for a couple of months, for instance, in North America, in some of our businesses. Of course, there is much more about starting to build inventories. When the orders are coming, it is going to happen. You will need to deliver. Totally for discussion is when we see OEM in Europe or APAC going down a high two digits. I think that we need to do both. It is looking business by business, geography by geography. That's the way we run the business, and that's why again, we need to simplify the more as much as we can, as we are doing. We see that. We don't see that as a geography, but we see different markets as they are.

Johan Elison: It will be interesting to see how this plays out. On another topic, you have a proposed dividend, a solid one. Have you ever considered paying in two installments to match your cash flow profile a little bit better? For example, [inaudible 00:52:02-00:52:03] is doing that.

Stefan Fristedt: We have considered it, but we have not implemented it. It's obviously something that is possible to do. I agree.

Johan Elison: Then on an update topic, you have announced that you might potentially sell some businesses. Then in this program announced in December, you sort of hiked the potential in terms of sales to be divested a little bit. Do you have any active discussions ongoing on that front, or is this much later down the road?

Stefan Fristedt: No. We have active discussions. We have assets on the market where we are having continuous discussions or where we are in the process basically. Then some assets are a bit earlier in the process, or we have been with them in the market before, and we are taking them to the market again. There are absolutely activities ongoing and they are in different stages. As I said before, we will communicate around that at the time when they actually materialize.

Johan Elison: Okay. That's all from me. Thank you very much.

Juan Vargues: You're welcome.

Rikard Tunedal: Okay. We have a few questions on the web. The first one is from UCF. How will you reduce leverage down to 2.5?

Stefan Fristedt: Yes, that's the known levers to pull, of course. First of all, it's about earnings to keep on working on improving that. I think we have certainly been taking measures with the restructuring program that we have been communicating. Also, as we have been talking about, we are expecting gradual improvement in some of our businesses during H1 and then in the later part of the year. That's going to help the earnings to improve. Then there is what I talked about before the working capital, both the core and the full working capital where we continue to see optimizations that can be achieved. That is one, then. It was also like we heard here as a question about the divestments. When they happen, they will also contribute to reducing the leverage. That's of course a positive benefit of that on top of the operational and strategic reasons for the divestment. That is the answer.

Rikard Tunedal: Thank you. Next question. Can you please give us your thoughts on the upcoming bond maturities and how you plan to tackle those?

Stefan Fristedt: Yes. As I said in one of the bullets when I talked about our debt portfolio, we are continuously working on that. We ended the year with 4.2 billion cash on hand. That's obviously one component in this, but then we are continuously and proactively working with it as well. We have a bit longer term. We have the 2026 Eurobond, €100 million for the year we may next year. The right thing to do is to start to work on that in time. Then we have to see when it actually happens, but we are certain about that. Let's come back to that when we announce the activities step by step here. We are not sitting and doing nothing. We are pretty active.

Rikard Tunedal: Thank you. Another one. Can you please provide some color on the exposure you have on Knaus Tabbert? Receivables and revenues? How isolated do you think the legal case is?

Juan Vargues: In the legal case, I have no idea since we are not involved by any means, so I cannot comment more than we are not involved by any means. So far, we have not seen any exposure.

Stefan Fristedt: We have been taking some measures in cooperation with Knaus on how to deal with our day-to-day basis with them. I think we are on top of that. We know what the receivables' exposure is and how we deal with that continuously.

Rikard Tunedal: Very good. There is some more cash flow stuff here. Would you be able to provide guidance on CapEx, taxes, and tax outflows in 2025?

Stefan Fristedt: We have been talking about CapEx around two percent of net sales. Now, we have obviously been below that. As I said before, we are going to keep on controlling that and really make sure that we allocate CapEx to the most important areas. That's maybe more in the short term. In the long term, we should be around two percent, as we have talked about. Then in terms of taxes, we have had an extraordinary year in 2024 of course impacted by the different events we have had. For 2025, I would say that we should assume a tax rate slightly above 30 percent. That's higher than what we want, but as we see that the business is starting to come back, the way that we have organized our transfer pricing system is going to operate more efficiently. I think that the first step is not for 2025, but beyond that. The first step is to come down to '29, and then we know we have been on '27 also historically. That would be you know a point of guidance on the effective tax rate.

Rikard Tunedal: Okay. Then the last question is on the dividend decision of 130 Swedish Krona, if getting down leverage is a priority, why didn't you reduce the dividend more?

Stefan Fristedt: That was a discussion that we had on the board and there are different stakeholders in the company as you're well aware of. This was a decision that considered that. This dividend level is going to increase leverage by less than 0.1. The board judged that this was a balanced decision.

Rikard Tunedal: Good. Back to you, Operator.

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

Juan Vargues: We would like to thank you for your attention and following us all the time. As I said, we cannot be happy with the results when we are delivering less money than we did last year. However, we feel confident that the market will come back and that we will see a very good upside for our investors. With that said, thank you very much, and have a very good day.