Transcription

Dometic Q2 2024

18 July 2024

Juan Vargues: Hello. Good morning. Juan Vargues speaking. Good morning to the presentation of this second quarterly report for 2024. Moving over to the highlights of the quarter, looking at the market, we still see tough market conditions. No major changes from that perspective. If we talk in general terms, then we will, of course, look at the different sales channels we have. We also see retailer inventories coming down very much in the US, but also in the other areas, which is also leading obviously to a better situation for our service and aftermarket business as well for distribution, while we see OEM still weak. Looking at performance, we are happy to deliver a good margin improvement, considering obviously the loss that we have on the top line. Service and aftermarket is down one percent, which is a substantial recovery in comparison to Q1 of this year, but also very much in line with our expectations after the last quarter.

Juan Vargues: Distribution is also a clear improvement, ending up a -2 percent. Very much driven by mobile cooling solutions. Then on the OEM side, it's 17 percent down with negative growth practically in all areas. When we see the major difference, we see really in the quarter is that we start to see the negative effects also in LV EMEA region. EBITA margins, as I mentioned previously, good margin improvement, 14 percent. We have to consider obviously the last year we had a one-time positive effect of 33 million. The improvement is really 0.3 percentage points in comparison to one year ago. We continue to work on our efficiency improvements. We continue to work obviously on the pricing, and then we have a positive effect on the sales mix, at the same time as we also have a negative effect or segment mix, where, as you most probably have seen, Marine is down 17 percent. They are a very high-margin business for us.

Juan Vargues: That means in reality that this is the fourth quarter in a row with improved margins despite the loss of the top line. We're also very happy to report a continuous strong cash flow, which is clearly helping down our leverage. If we move over to the numbers eight percent down on organic growth, EBITA down nine percent, EBITA margin, though ending up by 14 percent in comparison to a 13.7 or last year when correcting for the one time off that we have one year ago. Adjusted EPS of one Kroa, a 76 Oden, a strong operational cash flow of almost two billion Krona, and leverage down to 2.9, in comparison to the 3.2 that we were showing one year ago. If we move over to the [inaudible 00:03:20-00:03:21] numbers, 14.2 billion after six months or 10 percent organic growth.

Juan Vargues: We have a sequence of sequential improvement in comparison to Q1. EBITA is down nine percent with a margin of 13 percent in a year to date, in comparison to 12.7 that we were showing one year ago. Adjusted EPS of two krona, 96 Oden, and operational cash flow of almost 2.2 billion, in comparison to 2.6 billion one year ago. Looking at organic growth, this is the ninth consecutive quarter where we are showing negative growth. Our expectation is obviously that we will start moving outwards from this point. What we would like to say is we have passed the trough, so to say, from a growth perspective. If we look at the sales mix, no major changes. Perhaps worth commenting that on one side OEM is all-time low in terms of percentage of sales, while distribution is all-time high as a consequence of mobile cooling moving upwards at the same time as the OEM business is coming down.

Juan Vargues: Moving over to service and aftermarket, happy to see service and aftermarket coming back in Q2 in comparison to Q1. Now, we are starting to get close to the largest numbers. We see clearly when looking at the upper chart on the slide, we see that the traditional historical seasonal pattern is changing. That's really a consequence, obviously, of dealers being very, very careful in building up inventories and ordering at the very last minute. I believe that we are going to see the same situation for a couple of quarters until the situation stabilizes. At the same time, we see the retailers are destocking. That's what we see now when we are moving upwards in percentage-wise in comparison to last year. What we can see when talking to dealers is that consumers are still repairing. They're still using the vehicles, but, of course, they are cautious and spending more money than absolutely necessary just now to get out on the road.

Juan Vargues: Again, we don't foresee any major changes as far as the interest rates still are at a pretty high level. If we move over to the EBITA margin, we are of the opinion that we are doing a pretty good job in protecting our margins, despite the drop in sales and the negative segment mix that we have. The reality is that we have all the lower margin businesses improving the margins, at the same time both LBC, where we have very high margins, are just now having a negative impact on the negative sales. Having a look at the different segments, LV America's organic growth is down 13 percent. We showed good growth in service and aftermarket in the quarter, at the same time as we still have a decline in the OEM. We are clearly prioritizing margins in this case, since that's where we have the lowest margins for the entire group.

Juan Vargues: Improvement in EBITA and EBITDA margin and in -1.1, in comparison to -2.5, very much supported by the mix, meaning servicing of the market, moving to positive territory at the same time as OEM still in negative territory. Then we keep working on reducing our costs and finding the right balance. If we move over to LV EMEA, six percent down. Organically, we grow in service and aftermarket as well. Decline in the OEM. I would like to mention here that we continue to see positive registration numbers. While we were three percent down in registrations during the first half of last year, now we are plus six percent in registrations in the first half of this year.

Juan Vargues: To those first six months of this year, we need to add that last quarter was also positive. On one side, we see that the market is developing. According to our expectations, we knew this was coming. At the same time, now we see registrations moving on, which means that perhaps the drop is not going to be as deep and as long as we expected. The good news in this case is that registrations are increasing despite the still high interest rates. EBITA, good improvements in EBITA margins, moving from 11.7 to 13.7. Same, same. On one side, we keep working on efficiencies. We have the closure of the factory in Siegen that we completed in 2023. That's having a positive impact. Then we have also obviously the sales mix, and the service and aftermarket is growing.

Juan Vargues: If we move over to LV in the APAC region, negative growth in the same way in -11 percent. We service not to market in this case below last year. We are growing in distribution and we see that the RV industry in Australia is having a tough time. This is not the first quarter. We have seen this now for two and a half quarters, I would say. That will continue for a couple of quarters additionally. We are still very proud, obviously, of showing very strong margins today, and in about 29.9 percent in comparison to 31.4. Moving over to Marine, I know a very tough market on the OEM side. Organic growth is down 17 percent. At the same time, we need to keep in mind that the first half of last year, we were showing nice growth. The duration started really in June last year. They continued during the remainder of the year last year.

Juan Vargues: In this case, we are expecting obviously some gradual improvements in comparison to the situation that we had during the second half of last year. The single-digit decline in service and aftermarket, I'm coming back to the same comment. Just now, we will see some volatility in the service and aftermarket since it's very much about dealers waiting up until the very last minute. We might be seeing some growth in one quarter and then some reduction next quarter but we are moving upwards. That's where we can confirm. EBITDA margins even in this case and good margin protection ended up at 23.4 versus 26.2 one year ago. It's very much sales-driven.

Juan Vargues: They drop in on the top line while we are doing a good job in protecting our margins on one side through cost reductions, but also having support by the sales mix. In this case, obviously, service and aftermarket is dropping less than the OEM side, at the same time as we see also the percentage of electric seating growing, still today in comparison to the rest of the steering systems. Mobile cooling ended up flattish at the same level as one year ago. We saw the positive trends in the mobile cooling area. In the second quarter, we saw retailers starting to order again as we expected. Same as for Marine. We had organic growth in Q1 and Q2 last year. Then retailers started to balance their inventories during the second half of last year and Q1 of this year, and now we are seeing more traction. We are optimistic.

Juan Vargues: We continue to take market share on the hard coolers, which is good to see. We are very positive. We are very optimistic after the launch of the first compressor-driven cooler under the Igloo brand. EBITA is at a strong two percent in comparison to 10.2 last year, when you exclude obviously one positive effect that we have one year of 33 million. The improvements are very much driven by innovation, meaning new products, but also becoming more and more efficient. Then we know where the last one, Global Ventures, showing negative growth of five percent, very much driven by the drop in the residential market in the US. EBITA, even there, we have good margin protection, 15.1 versus 15.6 despite the lower sales.

Juan Vargues: In this case, we are investing quite a bit in IP, in developing our IP in the mobile power solutions area that we had started to consolidate at the beginning of the year. Moving over to innovation, we just launched a new range expansion for our active coolers. We have a very strong position with our CFX3 series. We introduce a CFX2 series to capture a higher portion of the market where we are not present today. We also launched a new camping stove, the Dometic [inaudible 00:12:59-00:13:00] brand, which is also moving in a very positive way during the first couple of months, as well as a shelter. In both cases, we continue to invest in developing more sustainable products. This is also the case with these two products. Last but not least, and this is just a few of the Pro launches that we had during the quarter.

Juan Vargues: We also launched the new PLB15, which is a new portable, lightweight battery for older applications, nonetheless, to be connected to our own cooling boxes. Again, this is valid for our own cooling boxes as well as for any other electronic device that should be charged. We will continue to invest in innovation, especially in the areas where we expect higher growth and higher margins moving forward. With that, said, Stefan, let's move into finance.

Stefan Fristedt: Thank you, Juan. Starting off with reflecting on the EBITA development in Q2, as already has been mentioned a couple of times, we had a one-time effect of 33 million in Q2 last year, related to Igloo and tariff reimbursement in that part of the business. With that taken into consideration, we have an improvement of 0.3 percent units in our underlying margin. Looking at the different details, obviously, the organic sales decline has been impacting their EBITA in absolute terms. Then gross margin improved by 0.3 percent units. If we take then the 33 million into consideration, it's 0.9 percent units improvement. Driven by efficiency improvements, and it's including the closure of the manufacturing in Siegen, which happened mid-year last year. Then we have lower raw material costs, which are also kicking in more and more as we are turning over our inventory.

Stefan Fristedt: Then we have sales mix and price management also contributing to this development. R&D and SG&A expenses, or increasing to 14.6 percent from 14 of net sales. We are continuing to invest in R&D in strategic growth areas like Marine mobile power solutions and mobile cooling solutions. Then that is partially offset by cost reductions in SG&A. We have very limited effect on ethics in the quarter and obviously no effect from M&A. Moving over to cash flow, as already Juan mentioned, we are really happy with a continuous strong cash flow almost two billion. That was obviously supported by the reduction of inventory and the reduction of working capital, in general. The inventory level is down 900 million versus the last year, which is happy to see that. Income tax paid or slightly lower than last year. However, commenting on the tax rate here, it's higher than last year, but this is following the comments that we made in Q1 already.

Stefan Fristedt: It's driven by that we have a higher amount of profits in high tax year restrictions. It's also partially related to non-tax deductible interest costs. There is a big swing in financing, the different parts of that we pay dividends 607 million, which is a little bit more than last year. Then we have the net of paid and received interest, 320 million versus 258. Sorry, we'll leave it by that. Then 750 million in private placement was signed in the second quarter of 2023. Moving over to CapEx and R&D, CapEx is coming down a little bit where we have been tougher in prioritizing the situation right now with a tougher demand. CapEx is 0.9 percent of net sales in the quarter and 1.9 percent over the last 12 months. Looking at R&D, it's 2.1 percent versus two percent last year.

Stefan Fristedt: It's driven by what I mentioned before, investments in structural growth areas, mobile cooling solutions, NPS, and Marine. Over the last 12 months, we have 2.4 percent in R&D expenses in relation to net sales. Taking a look at our net debt to EBITDA, we have been coming down to 2.9 compared to 3.2 times one year ago, and sequentially coming down from 3.0, from Q1. It's obviously driven by the strong operating cash flow, and it's a high focus as well on protecting the margin and reducing working capital around the organization. I can also just repeat that we are committed to achieving our leverage target of around 2.5. We are expecting that the leverage will continue down during the remainder of this year. Taking a step into working capital accounts payable or stable and more moving depending on the mix, when we buy less in China the number of days goes down a little bit as we have the longest payment conditions in China.

Stefan Fristedt: Receivable stable, 44 days. Nothing to report there. Then we can see on the inventory side, coming down to 141 days, which is, obviously, in relation to what has been mentioned before, We can also say that the inventory balance, compared to one year ago is 6.7 billion compared to 8.4. We are continuing to take action to optimize working capital towards the target of 20 percent of net sales. It's obviously a bit of a difficult KPI when we have the organic sales decline as we have. I still think that the underlying work with reducing working capital is moving on according to expectations. Summarizing the operating cash flow almost two billion in the second quarter compared to 2.3 in the same quarter last year. It's like I have reported before, we are expecting that the strong cash flow is going to continue.

Stefan Fristedt: We are not going to achieve the record high that we had last year, but still strong and solid for the coming quarters. Moving into our debt maturity profile, as you might remember, we did sign in March 2024 an EU agreement with the second tranche of our credit facility, which then means concerns the term loan of $333 million, that that is now moved out to 2027 with a one plus one-year extension option. Then we have also amortized 200 million dollars on July 1st according to plan. Then their revolving credit facility was increased by €80 million. It's now a total of €280 million, and it is undrawn. The average maturity by this has been extended from 2.2 to 2.5 years. If we include the extension options, the average maturity is three years. For the time being, the average interest rate is five percent, and it's slowly going to trend up. With that, I hand over to you, Juan, to summarize.

Juan Vargues: Thank you. Thank you, Stefan. The market is what it is. There's not a lot we can do about, but we continue to drive performance improvements. We are happy to report improved margins, strong cash flow, and leverage, which is moving South, trending down. We are very happy to see as well the distribution and servicing of the market are moving upwards state-wise, and that should continue. Then we talk about the future. Our expectations is a little bit more of the same. We continue to see service and aftermarket as well as distribution moving outwards state-wise. We are not going to see a major massive improvement in one quarter. We will see that in steps, while we see that we still remain in pretty weak all over the place. Some areas, as we saw, the US market is stabilizing, but stabilizing at a low level, while the rest of the OEM businesses are coming down.

Juan Vargues: Strategically, more of the same. We will continue to drive our strategic agenda. We have a better balanced, mix today that we had a few years ago, which is obviously helping us to maintain our margins at good levels. We keep investing in growth areas. Stefan mentioned a couple of times some of the areas where we believe that we have an underlying structural growth moving forward, and we want to put more of our resources and our investments. We will, in other words, continue to prioritize margin expansion in order to achieve our financial targets. With that said, I would like to open for the Q&A session, please.

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. Morning gents. First, can you talk about the market climate in Europe or European RV a bit more? I guess it seems like the manufacturers are becoming more cautious and prolonging the factory holidays and so forth. To what magnitude is this impacting your business in the short term? Also, if you could talk about your expectations for the aftermarket in Europe, specifically in the coming quarters?

Juan Vargues: For us, Frederick, we wanted to start with, but for us, it's not coming as any surprise. We have been talking about this now for a couple of quarters that it was very much expected. I think that our customers are becoming more cautious. At the same time, as I have to say I am just now more optimistic perhaps than they are, simply because I see registrations coming outwards despite the fact. That means that consumers are taking out vehicles and existing vehicles at the same time as interest rates are pretty high. At this point, my expectation is that the drop is going to be there. It is already there. By the way, we already now see negative numbers on the OEM side, but our speculation is that is now going to be asleep and as prolonged as we expected when registrations were very much down during the last, I would say two years before Q4 last year.

Juan Vargues: That was on the OEM side. On the aftermarket, it has been moving upwards. I continue to expect gradual improvements moving forward. We have never seen such a drop historically, and not just in the European region, but in the rest of the region is the same. We have seen exactly the same behavior from consumers. We have seen the same behavior from our dealers. We see obviously, that the inventories that the dealers were carrying out for the last 18 months are kind of fading away state-wise. I believe from the same perspective, the ones we see interest rates coming down. I do believe that consumers are not just going to repair, which is absolutely necessary, but they are also going to start to upgrade their vehicles. They are going to start buying more accessories like they have been doing over the last couple of years.

Fredrik Ivarsson: Thanks. Very clear, Juan. The second question is also on EMEA, where the margin has been picking up quite nicely recently, where were you on those extraordinary costs, if we could start with those? In the quarter, I think you were at 55 million in Q2 last year. If you also talk about where you are in terms of efficiency or inefficiency in the Hungary plant after the move from Siegen.

Juan Vargues: We're still not at the levels that we have been seeking, obviously, after all those years, but the situation is improving every day, and we have people fully dedicated to that. On the cost efficiencies, on the impact, we are talking in the quarter about 25 million. We see again that we will see gradual improvements moving forward. Again, moving a factory takes a while before you get the same efficiency as you have in the old factory, but that's taking place. Part of that is what we see clearly on the margins. The margin is the combination of a number of things. As we communicated, we have a positive sales mix in the segment. Clearly, we also have the efficiency gains that we have in Hungary in comparison to the situation we had one year ago and the lower labor cost. We have also some lower raw material prices as we are consuming the inventories that we built up a high cost. Then we continue to drive our price management. Just now, obviously, you all know the situation on the Red Sea and we continue to maintain our margins. The margins are improving. I would say--

Fredrik Ivarsson: There's an extra cost.

Juan Vargues: Today we have higher logistics costs. We have not given the numbers by segment, but we have commented the logistic cost has been two percentage points higher during 2023 and 2024 than it used to be prior to the pandemic. They are still high, but we have come down I think it's 0.3 percentage points in comparison to the situation we had. Improving slowly.

Fredrik Ivarsson: Good. Then if we could move to mobile cooling, the underlying margins are obviously up a little bit. If we clean for the tariff refund you had last year, what were the sort of key drivers behind that margin expansion?

Juan Vargues: I think this is innovation, the fact that we are launching higher price and higher margin probes with every single launch. Obviously we are becoming as well less dependent on the American market. Mobile cooling today is a global business. We're introducing the new ICF products carrying once again high average prices and higher margins everywhere. We are very, very happy with the Pro launch. Then at the same time, it is clear that when we come out and the organization from the automatic in terms of cooling boxes and put together with the Igloo organization, we also have efficiency gains in that area. It's a combination of both.

Fredrik Ivarsson: Good. Last question from my side if I can, if we could get some help with your expectations from what's going on the raw material side, and also with the higher freight rates that we see at the moment as you look into the coming quarters.

Juan Vargues: No intention is we have been proven during the last year is obviously to protect our margins by price increases at the same time as we are looking for cost reductions. It's clear that we see higher freight costs still very far away from the situation that we had in 2021, '22. You can read in the media that prices went up. basically by 100 percent since May this year. At the same time, they are still very, very low in comparison to where we are coming from $18,000 as we were a couple of years ago. We feel confident that we will be able to protect our margins even moving forward.

Fredrik Ivarsson: Good. Thanks. That's all my questions.

Juan Vargues: Thank you.

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

Daniel Schmidt: Good morning, Juan and Stefan. A couple of questions from me, and coming back to mobile cooling, where you clearly are making strides, and you sound very happy with the active cooling launch in the North American market and the expansion of the brand Igloo brand to Europe and Australia. You have a flat development in the quarter. My understanding was that you were in negative territory at the start of the quarter, and implicitly, that would mean that you had maybe growth towards the end of the quarter. Is that what you saw as a trend?

Juan Vargues: That's totally correct.

Daniel Schmidt: Is that a function you think more of retail is restocking on the old assortment, or is it a good uptake of the new assortment combined with restocking the old?

Juan Vargues: Daniel, it is a combination. Keep in mind that we were growing very nicely, even if many other areas of the business were coming down. Cooling boxes has been extremely stable, even in the last, I would say, 20 years. Then we got into June last year, and we saw a dramatic change in the way retailers were behaving in terms of inventories. They really pulled the break. I guess that they built up too much inventory in the first half of last year on the expectation of a better 2023. That happened, and then they took a break. That's really what led to a situation where for us they weren't ordering We have seen a rebalancing of their own inventories. Now we have the opposite situation. Now, we have very low inventory levels.

Juan Vargues: Then, of course, the mobile cooling box market reflects also the situation with the weather. We are coming from a Q1 that was pretty bad, especially since March was pretty bad in North America. Of course, out of mobile cooling, North America is kind of 75 percent of the business. Pretty wet, pretty cold. We moved into Q2, better weather. People started buying new products. At the same time as we are launching new products on a continuous basis, and we introduced the ICF, which has higher prices and higher margins. The good news in this case is that when looking at the statistics from NPD, we are growing both in dollars, which is telling you clearly that our mix is growing, but we are also growing in units. It's not just average prices.

Juan Vargues: There is a consumer demand. Hopefully, the consumer demand is going to keep growing. Unless we see really poor weather in the coming weeks but now we are in the middle of the season. The expectation is that that improvement will continue. At the same time, obviously, as we have the active cooling boxes in more and more stores. That should lead to improvements moving forward.

Daniel Schmidt: If you try to dissect it, are you equally happy with the launch of the brand internationally as you have or with this active cooling solution in the US? Is there any one of these two factors that have been surprising on the upside or on the downside for that matter?

Juan Vargues: It goes is much, much faster in the US because obviously there we already have an organization having all the connections with all these major customers. Europe Igloo has historically not had a strong brand. They were non-existent. It will take a little bit longer, but it is moving as well. Sorry.

Daniel Schmidt: Given what you're saying, listening to that and giving what you're saying in terms of innovation driving the margin performance in mobile cooling, is it fair to say that it's more important for the margin, short term, to have a good uptake of the active cooling business in the US rather than the international expansion?

Juan Vargues: Yes. Keep in mind that the US market is by far the largest market in the world. No matter if we are talking about passive coolers or active coolers.

Daniel Schmidt: Reading the lines.

Juan Vargues: In many other auto businesses, the American market is very, very often 60 to 70 percent of the world market. No matter whether we are talking about boats or we are talking about coolers.

Juan Vargues: Daniel, that's why the Eagle acquisition was so strategically important for us. Not just under the Igloo brand, but really to promote the Arctic coolers so we could grow both under the Igloo brand and as a community brand.

Daniel Schmidt: Are you seeing competitors picking up on the technological shift that you are driving in that market?

Juan Vargues: Not so far. I feel the market is still today a pretty small market. It's not that we don't have competitors, of course, there are competitors, but they have no presence, and they have not the kind of distribution that we have. Keep in mind that Igloo has been in business now for 77 years. It's not just about picking up a couple of customers. Also, to have the distribution capability is to have the logistics in place and is to have the service networking place. We feel confident about our capabilities moving forward. Of course, that's also one of the reasons for investing more and more in accelerating that growth.

Daniel Schmidt: Are you happy with the price point that you came up with? I think you have five different sizes and how you position them versus what's out there.

Juan Vargues: I would say that we are talking specifically on the American market without any kind of doubts. We are talking about the rest of the world. That's also one of the reasons for launching the CFX2, because the CFX2 will attack a different portion of the market where we have seen growth has been. Again, keep in mind that in the entire outdoor space, consumers, but also retailers have been trending down. If you look at the CFCX3, the CFCX3 is the most premium product that you can find on the market. At the same time, as we have seen, obviously, that customers are asking for lower price points, even for compressor coolers. That's why we started to develop this product 18 months ago, according to our plans.

Daniel Schmidt: Jumping to another topic you touched upon in the presentation when it comes to Marine, and you also said that if you're optimistic about service and distribution, you keep being quite pessimistic about the OEM business. You also mentioned that it was in June last year where we started really to see the drop in the OEM business in Marine. Has anything changed in terms of the trend in OEM Marine as of late, or is it reasonable to assume that given the comp-based change that you will have a slightly less negative performance on that basis in the coming quarters?

Juan Vargues: That's our expectation. Then, of course, you have also the retail levels. This is moving every single month. The theory is absolutely right, Daniel, we have much easier comps than we had one year ago or two years ago. At the same time, we have written numbers from April when the sentiment on the Marine market was more optimistic. Then they got the number for May, and May was again more pessimistic. Again, we will move out from low levels. Then the question is how much. I think that we will need to evaluate that month by month, and we already know the numbers. The last four quarters have been pretty negative for Marine, OEM clearly.

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

Juan Vargues: Thank you. Thank you, Daniel.

Rikard Tunedal: I think we step in here with the question from the web. It's for you, Stefan. Thinking about the Euro bond market and the 2026 refinancing, when could you come back to that market?

Stefan Fristedt: The Eurobond market is a very important source for us in our financing. Let me state that, first of all. Then we have also noted that the market and the margins you pay have been coming down considerably during the first part of this year. Then it's, of course, a matter of timing. You see, we did pay back €100 million dollar here 1st of July. Our ambition is that we will continue to use some of the funds that we are generating to pay back debt. We are absolutely in the Eurobond market to stay there. I still think it's a little bit early to expect that we're going to do something with 2026, but it's approaching.

Operator: Thank you. Back to your operator for more questions. The next question comes from Agnieszka Vilela from Nordica. Please go ahead.

Agnieszka Vilela: In Europe and RV, I appreciate the fact that the registrations are stable or even growing. Actually, when we look at the orders and order backlogs at the RV OEMs, they have been declining quite sequentially, which also suggests that the dealers don't want to take on the new product, and maybe there is some inventory glut. As we see the production cuts at the OEMs, do you think that this kind of correction, production correction, and volume correction will be done this year already or will we also have the kind of negative RVOM growth into 2025?

Juan Vargues: I think my firm opinion, I would say, is that we are already seeing production cuts. It's nothing new. I mean, it's already there.

Agnieszka Vilela: Do you have any kind of visibility on how long they will proceed with this production cut?

Juan Vargues: I do believe that that will depend obviously on interest rates and will depend on the registrations. Again, that's why I needed to be more optimistic about how I worked one year ago because I saw registrations coming up. While they were pretty negative 2022, and they were pretty negative during the first half of last year.

Agnieszka Vilela: Thank you.

Juan Vargues: I don't think that the RVOM industry is going to fly 2025.

Agnieszka Vilela: On mobile cooling, you are running at nine percent EBITDA margin in the last 12 months. Can you tell us if there is any difference in profitability between Igloo and your active boxes business?

Juan Vargues: Historically it has been without any kind of doubt. It has been much higher on the Dometic side, or it has been on the Igloo side. Then, of course, you have inventories built up in 2021 and 2022. Hopefully, those inventories are fading out state-wise and we will see higher margins coming also from the metric side to the historical levels that we have been in.

Agnieszka Vilela: Have you seen more of a kind of inventory correction at retailers on the Dometic side?

Juan Vargues: Yes, but not as pronounced as we have seen on the American side.

Agnieszka Vilela: Maybe a follow-up on the profitability level for your mobile cooling. I think when you acquired Igloo, you had an ambition to move that business toward the 15 percent EBITDA margin. Do you still find this level attainable, given that you're at nine percent margin for mobile cooling right now, and also what needs to happen to reach it?

Juan Vargues: I think that we need to continue working in the same way as we are working, working on the geographical mix, and working on the product mix. Without any kind of doubts, I'm working on the channel mix. I do believe that since the acquisition you have seen margin improvements on Igloo as well. I know that we were pretty criticized at the beginning when they came in with Q3 and pretty negative Q3 in '21. Since then, we have been improving margins state-wise. We simply need to be better and drive in pricing, as we have been doing in recent quarters, but also on innovation, new production, and completing the Pro range. We see margin improvements moving forward as well.

Agnieszka Vilela: Still, the gap is quite high now from nine percent today to 15 percent.

Juan Vargues: That's what we get paid for.

Agnieszka Vilela: Perfect. Thank you.

Juan Vargues: You're welcome.

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

Juan Vargues: I would like to thank you all for your attention. I know this is a busy day for all of you. Clearly, we have a lot of companies reporting. I would like to finalize by thanking my team for what we believe is a fantastic job under steel today. Tough market conditions. Again, margin improvement, strong cash flow, and low leverage. Thank you very much for your attention. Happy holidays to those of you who have your vacation period in front of you. I'll see you soon. Thank you.