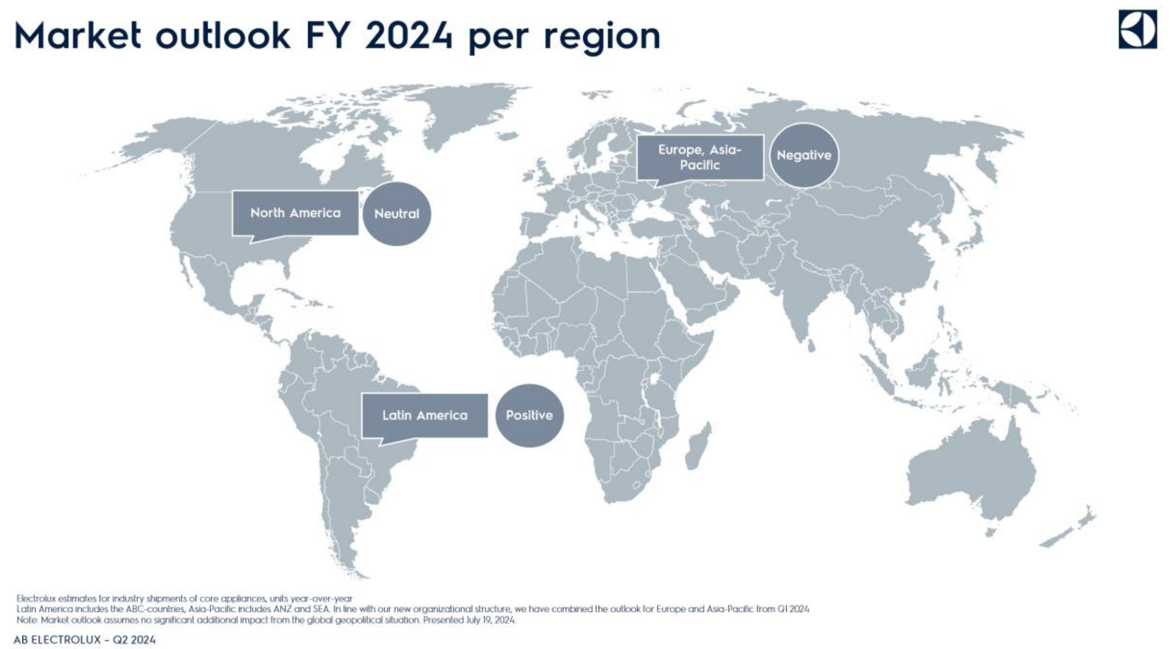
Transcript of comments to outlook slides in Q2-2024 earnings call

Below follows a transcript from the Q2 2024 earnings call held on July 19, 2024, covering the two slides “Market outlook FY 2024 per region” and “Electrolux business outlook” presented by Jonas Samuelson (“JS”).



JS: In general, inflation has been somewhat more sticky than anticipated, slowing the expected pace of interest rate cuts, which in turn has slightly delayed the anticipated improvement in demand, particularly in Europe. Housing construction and kitchen remodelling in Europe remain at very subdued levels, while replacement market demand has stabilized, with high promotional intensity. Demand in North America has been stable year to date, supported by the aggressive pricing environment, despite weak housing markets.

Recent datapoints indicate that inflationary pressure continues to subside and interest rates are expected to slowly come down. With this backdrop, we have not changed our view that we expect demand in major markets to stabilize. Lower interest rates are positive for remodelling and new construction, which are key drivers for appliance demand in mature markets like Europe and North America. However, there is always a lag before this shows in demand. In Latin America, the strength of the Brazilian market seen in the start of the year has continued during the second quarter, and was supported by warm weather in the first half of 2024.

On back of this we maintain our regional outlook of relatively neutral market demand for appliances in North America in 2024 full year compared to 2023. For Latin America we revise our outlook from “neutral / positive” to “positive”. For Europe and Asia-Pacific we revise our outlook from “neutral” to “negative” as a consequence of the weak start of the year and a subsequent slight delay in recovery of market demand.

Electrolux business outlook

Business Outlook[1] y-o-y	FY 2024	Comments
Volume/price/mix[2]	Negative	Driven by price, partly offset by growth in focus categories.
Investments in consumer experience innovation and marketing[3]	Negative	Increased investments in Innovation & marketing to capitalize on the momentum of the attractive product offering.
Cost efficiency[4]	Positive approx. SEK 4bn	Execution on cost-reduction activities with significant cost benefits expected to impact the second half of the year. Headwind from logistics cost affecting previous target.Targeting cost savings of approximately SEK 4bn in 2024, excluding investments in Innovation and marketing.
External factors[5]	Positive	Primarily driven by lower raw material costs, largely offset by negative currency effects.
Capex	SEK 5-6bn	

1 Business outlook range: Positive – Neutral – Negative, in terms of impact on earnings
2. Excludes currency related price increases in Argentina and Egypt, which is included in External factors.
3 Comprise of costs of R&D, marketing/brand, connectivity, CRM and aftermarket sales capability, etc.
4 Efficiency in variable costs (excl. raw materials, energy, trade tariffs, and labor cost inflation >2%) and structural costs (excl. consumer experience innovation and marketing).
5 Comprise raw material costs, energy costs, trade tariffs, direct and indirect currency impact and labor cost inflation >2% as well as the net effect of currency development including pricing adjustments in Argentina and Egypt.
Note: Business outlook in the above table excludes non-recurring items. Market and business outlook assume no significant additional impact from the global geopolitical situation

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JS: We have made some adjustments to the business outlook for full-year 2024 provided in the first quarter 2024 interim report

Guidance on organic contribution from volume, price and mix combined for the Group is unchanged and is expected to be negative in 2024 full year driven by negative price.

As expected, price was negative during the first half of 2024 with price pressure in North America and high promotional activity in Europe. As previously communicated, we expect price to be negative for full year 2024, also impacting the second half negatively. We anticipate the promotional intensity in North America to continue to stabilize sequentially throughout the year while in Europe we expect the replacement driven promotional intensity to continue.

For the full year, the negative price is anticipated to be partially offset by growth in our focus categories such as premium laundry and kitchen products under our main brands Electrolux, AEG and Frigidaire. The recent investments in new product architectures provide us with a great platform to drive growth in these focus categories going forward, even though the challenging macro environment is a limiting factor. Our new products are very well received by the consumers, and we have a favorable mix in the first half of 2024 even though disposable income has been under pressure. We anticipate to continue delivering a positive mix during the remainder of the year and to accelerate this further as consumer sentiment recovers and new housing and renovations take a larger share of sales.

We expect External factors to be positive for the year, mainly driven by lower raw material costs. The positive effect to External factors from raw material is however expected to be largely offset by negative currency effects, mainly related to countries with high inflation, experiencing varying degrees of depreciation in their respective currencies. It has to be emphasized however, that impacts from currencies are very unpredictable.

Increased investments in marketing to capitalize on the momentum of our attractive product offering are yielding good returns. As in the second quarter, we project to increase investments in Innovation and marketing in the second half of 2024, compared to the second half of 2023. We continue to execute on the cost-reduction activities with significant cost benefits expected to impact the second half of the year. However, ocean freight rates have increased recently, and taking this headwind from logistics cost into account, we are now targeting cost savings of approximately SEK4bn in 2024, excluding Investments in Innovation and marketing.

Investments to strengthen our competitiveness through innovation, digitalization, automation and modularization continue in 2024 and total capital expenditures are estimated to be around 5-6 billion SEK.

Finally, a heads-up regarding the divestment of our water heater business in South Arica. We currently see that out of the SEK 0.6bn loss on the sale, we anticipate about SEK 0.4bn to be booked in Q3, and the rest at closing, most likely in Q4.

Factors affecting forward-looking statements

This transcript contains "forward-looking" statements presented in the Q1 2024 interim report and earnings call held on April 26, 2024, that reflect the company's current expectations. Although the company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations prove to have been correct as they are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors.

These factors include, but are not limited to, changes in consumer demand, changes in economic, market and competitive conditions, supply and production constraints, currency fluctuations, developments in product liability litigation, changes in the regulatory environment and other government actions.

Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, the company undertakes no obligation to update any of them in light of new information or future events.