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Electrolux Professional AB (EPRO.B.SE)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Jacob Broberg

Chief Communication & Investor Relations Officer, Electrolux Professional AB

Good morning and welcome to Electrolux Professional Group Q4 and Full Year Result Presentation. My name is Jacob Broberg. I'm heading up Investor Relations and Corporate Communication. And with me as always, I have Fabio Zarpellon, our CFO; and Alberto Zanata, our CEO. And I hand over to you, Alberto, please.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Thank you, Jacob. And morning to everybody. And before starting the usual presentation, let me add a comment, because I'm sure that you already saw the announcement that was posted yesterday night, where it has been announced that Paolo Schira, the current President of the Laundry business, is stepping up and has been appointed as my successor following the decision to retire. Everything has to come to an end. And after the year that I spent in this company, I think it is the right time to hand over the baton, the baton to a person that I've been working with for many, many years and that have been instrumental, together with all the colleagues in the group management, to build the company for what it is today. So, I'm very happy that he's taking over this responsibility. I'm confident that together with the team, he will build an even stronger Electrolux Professional organization.

With this said, I would move on and before commenting the quarter, let me spend a couple of words on the year because clearly we close also the year, not only the Q4. And the year has been another year characterized by uncertainty and geopolitical and macro economical headwinds. They've been very significant, these headwinds, in particular for what currency and tariffs are concerned, but also for the indirect effect of currency and tariffs with the business in the US and in China.

Despite all these headwinds, we have been able to deliver another year with a profitable growth. We improved organic sales, we improved the profitability, we improved margin, and we took down the ratio between net debt and [ph] EBITDA to 1% (00:13:36). So, another year along the path to deliver the result that we all expected to deliver.

But you know what, more than the result in itself, I believe that this year is characterized by the fact that while performing, we continue to transform and invest for transforming this organization. We continue to invest in R&D, starting to bring to market some of the product [indiscernible] (00:14:11) have been developing for years, starting with the cooking lines during Q1, and then even more important, during the summer, where we start to bring to market again new cooking product, but also the first the first batch of the laundry machine that are part of the big program that will revolutionarize the portfolio of laundry.

We also continue to invest to grow the business in North America. And with the chains acquiring Royal Range, it is a small company, but it is an important step and important add-on to our organization because of the product portfolio, because of the margin, and because the kind of customers that they are currently serving.

And last but not least, the third big pillar of the transformation that was significant in 2025 is the efficiency program that we launched in September, a program that is progressing very well, a program that is expected to generate significant savings already this year, but even more next year, a program that will redesign our footprint, concentrating the production of two factories [indiscernible] (00:15:35) that will generate efficiency, productivities and there's a consequent benefit both for the organization and the P&L, but also a program that is allowing us to upskill the organization to make sure that we get people into the organization that are more focused on the front end, because that is the shift that we want to have in 2026, to move from back to front, to start using all the things that we have been developing during the years to grow sales, grow sales and win the preference of the customer in the market.

With this said, we move to the quarter. And in summary, I would say that the quarter – we closed the quarter with a strong growth of the margin, despite all the headwinds that we had to face. Just to quantify, we are talking about 1.3 percentage point. That is the negative impact of currency, in particular currency in the quarter. So quite significant about that. In the number, if we also include the SEK 10 million of the acquisition cost. So if you look at the underlying profitability, it's even stronger than what it is -what you see on papers.

The quarter has declining organic growth. But let me say that inside of this one, the decline comes mainly from the US Food & Beverage market that has been weakening just after the summer [indiscernible] (00:17:31) very strong in the first part of the year, has been weakening during the summer. It's coming from Japan that is still a weak market and in some way we had also declining sales in North America Laundry. We will comment later.

But in reality, the big business for Food & Beverage have been growing. We have been growing in Europe. We have been growing in – excluding Japan, in the other Asian market. And Laundry has been growing in general, excluding the United States and Asia in that case, that is again Japan. So, a good quarter. A quarter also solid in term of cash flow and that gave us the possibility to reduce the ratio between debt and [ph] EBITDA (00:18:22). And again, a quarter marked by the signing of the acquisition of Royal Range that was completed in January this year.

With all these things said, we are also proposing dividends that are increasing the dividend per share, according to our objective, to continue to remunerate the shareholders. Specifically about the market, I think I said it, so Europe strong – sorry, that is good because it is still more than half of our business, geographically speaking. A relatively weak North America market, but we will comment later about Laundry because the dynamics between the two segments are completely different. And you see a declining business in Asia-Pac, but it's entirely related to Japan.

If we look at a specific trend in Food & Beverage, Food & Beverage has been growing organically. And this is thanks to Europe. Europe is doing extremely well, extremely well, improving, growing sales, gaining market share and improving profitability. And if you think that now Europe is also launching new product, you can imagine how positive we can be about the European business.

US is weakening. It has been weakening during – as I said, during the fall where we were flattish, but we saw this happening also in Q4. And as I said, the Asia-Pac is mainly Japan. Despite this, profitability improved. Profitability improved, it's above 10%, including acquisition cost. So, the [ph] underlining (00:20:16) profitability is even stronger. To be noted, and I think it's complete in just the comment that I had about Europe, is that the order intake – the order intake for Europe is higher. So not only strong sales in Europe, but also strong collection of orders.

If we move on to Laundry, here, you see that we reported declining organic sales. And it is mainly related to North America and Japan, so Asia-Pac, Middle East, but mainly Japan. Two comments about that one. Japan, I believe – we believe, or at least this is the feeling we have, is that we touched the bottom of the decline. And the other thing is that – and this is we know because Japan is one of the market where we have hard numbers. We know that we didn't lose market share. So having maintain the market share that we have, that is slightly below 50%, so very strong market share in this large market. And we know that the decline should come to an end, also in this case, the feeling is that we could see the future in a positive way.

North America is a different story.

Yes, we had a decline, but we have to consider that last year was our super strong last – last year, I'm sorry, I'm referring 2024. The last quarter of 2024 was a very strong quarter where our distributor built up stock. I still remember the call a year ago, exactly this call, I was asking for that strong growth would have been replicated. And I said, no, it can't be because it was a buildup of stock. Okay. In this quarter, the same distributor normalize the inventory that he has in North America. So, the difference between generated a negative for us, that is what you see reflected in the overall sales. Nevertheless, the business in North America that is an important business for our Laundry segment is a healthy business, is a healthy business completely different compared to the situation of Food & Beverage and that is reassuring.

The other important thing that I want to underline for Laundry is that despite the headwinds that we have been talking about, currency in particular, but also tariff, we improved margin. And this is, again, showing the strength of this business – the strength of the business. Also in this case, I think that if I look at the magnitude of the headwinds, it would have been 3 percentage point better in term of margin and profitability.

Looking ahead, also, Laundry as well as Food & Beverage Europe, the order intake at the end of the year was higher than what we had the year before.

With this said, I would pass to Fabio to comment at the financials.

Fabio Zarpellon

Chief Financial Officer, Electrolux Professional AB

Thank you, Alberto, and good morning to everybody.

Before I deep dive into quarter four financial, let me give you overall a perspective from a financial perspective of 2025. Overall, we grew sales organically by 0.5%. And EBITA margin before the provision we did in September last year for restructuring increased from 11.6% at 2024, to 12.1% at year end. Despite the large impact from tariff and the currency that Alberto mentioned.

Food & Beverage, the larger operating segment grew 1.5 points overall same currency and margin is close to 11%, 10.7, we close out the year.

Laundry overall sales the same currency were flat, but not only the quarter, but a full year margin increase, and we closed the year at 17.4% over 1 point better than 2024. Overall, if we look at how we generate the sales, I would say we have a pretty well-balanced from a geographical perspective, with America that is roughly around 24%, Asia-Pac 60%, and Europe around 60%.

So, then moving from the yearly perspective to the quarter. As anticipated by Alberto, Q4 was another step towards our margin expansion, in line with our plan. EBITA margin move from 12% of last year to 12.6% of this year. The margin expansion overall was sustained by positive contribution from price, lower material cost, and better productivity in our operations. To the note is that good price management in US compensated most of the tariff impact in the quarter, and let me say, provided there will be no additional change in the tariff award as anticipated during our Capital Market Day, we are confident to be able to fully compensate it in 2026.

But before moving on, let me spend two words about currency. I mean, we are living in a period of unprecedented volatility for what concern currency, and I would like to develop through two dimension; currency translation and currency transaction. When it comes to currency translation, SEK has been strengthening last year against, I would say, most of the currency. And currency – all the rest equal, currency translation has reduced the top line by roughly 7 points and the EBITA value in absolute term, more or less, by the same amount. So, with no change in what is the EBITA margin. This also means that our EBITA generated in quarter four, if I look at it at the same currency of the previous year, we are not deteriorated. So, where you see a negative reduction, in reality at the same currency, it is even a plus.

On the other side, currency transaction affected the underlying performance of the business, no doubt about it, and it touch sales, but also profit and profitability. On sales, I will say mainly for Laundry, where we are invoicing our US distributor in US dollar from our Swedish operation, SEK got stronger, meaning for the same $100, we get a less SEK. And the impact is such that the group organic growth in the quarter net also of the currency transaction effect on sales instead of being negative would have been somehow positive, 0.6%, but positive. But I would say the main impact is on the profitability, the currency transaction, and it is mainly related to US dollar, has hit our P&L by roughly SEK 45 million, 1.3 point in margin. So, the underlying business performance is much better than what the reporting number are showing. Currency transaction that was not important just for the quarter, but on a full-year base, the impact is roughly SEK 100 million or roughly 0.8 point in margin.

Alberto anticipated about the plan to reorganize and restructure our organization and improve our operational agility and profitability. The plan is proceeding according to plan, and the anticipated saving, meaning over SEK 80 million for this year, 2026, and over SEK 170 million for 2027, are confirmed.

Going through the remaining part of the P&L, you see that the finance net was pretty low, SEK 80 million lower than same quarter of the previous year, thanks to reduced borrowing, but I will say even a more cost-efficient funding structure. To be noted that and in the quarter, that the tax rate was pretty low, 11%. And this is due to non-recurring, let me say, change of the funding structure that we put in place to finance our US operation that led us to review the deferred tax asset and therefore, a non-recurring reduction on the tax cost. As a consequence of this, the overall tax rate for the year was in the range of 21%. But let me say, this is not changing going forward the guidance that we gave in the past or roughly 26% of tax rate on income before taxes. Overall, this led to, I would say, a pretty strong earning per share at SEK 0.98, that is roughly 30% up compared to the same quarter of last year.

Cash flow generation was solid, slightly below – somehow below last year. And this is due, I would say, from three components. We delivered somehow a slightly lower EBITDA, we have had higher CapEx, and we started to have a cash out related to the execution of our restructuring activity. CapEx, year-to-date, we concluded the year with a CapEx over SEK 360 million. It's roughly 3% of sales. And as anticipated, also during Capital Market Day, I expect it to remain around this level also for 2026, whereas we anticipated we are bringing to market very important product innovation both in Food and in Laundry.

Last word on capital efficiency. We have further improved the operating working capital on sales, meaning the utilization of it. We have seen a slight increase to the rolling 12 that we had in September, and this is mainly related to a margin and increase in inventory. Our financial position the end of the year is, I would say, pretty strong. You see the – since the acquisition that we performed in the first part of 2024, we progressively reduced net debt, and we end up a year in a very, very strong finance position.

And with that, back to you, Alberto.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Thank you, Fabio. And as I mentioned at the beginning, in a quarter with very strong headwind or even a full year, but a quarter with strong headwinds. But despite that, solid performance and even stronger underlining performances, we continue to transform, to bring to market new products that will surely generate additional sales. During the quarter, we launched the new cooking line in Europe. It will be sold also in Asia-Pac, Middle East, and Africa, but is mainly the heart of the program of our European Food Organization. That is in line with what we always do. So, more efficient product, product with higher productivity, product with the innovation that makes us different from competitors.

But at the same time, we also, despite the weak market conditions, we continue to innovate also in Japan. And this is a new product that is coming from the TOSEI Company, the one that we acquired. Also, this one, pretty unique in the market. There are no similar stacking solution with a combo and a dryer in the market anywhere in the world. This is, again, looking at a trend, combining the trend of smaller spaces and lower investments to open a launderette. Part of this transformation is to create a new tool for the organic growth as the new product are, but also continue to make use of the cash that we are generating, investing in inorganic acquisition.

I already mentioned the Royal Range, that has been completed. We are already working with the team, the Royal Range team, to start generating value from this acquisition. So, I'm very pleased about that one, as well as the investment that we have been doing in this startup. This is not significant for sale and EBIT today, but we count to make use of the technology that this startup is using to further increase the innovation path of our company.

With this said, I would say that we are at the summary, and I would say that we closed the quarter with profitability improvement. The profitability is mainly driven by the European business, Food & Beverage European business, and by the Laundry business in general. And this improved profitability has been achieved, and we've been underlining more than once during the call – more than once during the call, has been achieved, despite of the strong headwinds that we had to face. We also closed the quarter with an improving order intake for Food & Beverage in Europe and for Laundry. And Food & Beverage and Laundry, they accounts for roughly 70% of our total business. And you also know that for even more in term of profitability, in term of EBITA.

We close a quarter with the acquisition of the assets in the company in the United States, a company that we count to make use of this acquisition already in 2026 or at least to start. And then, for sure, it is something that will come next year. We close a quarter starting to introduce to market the new cooking product and preparing for the Laundry platform, is a quarter where we accelerated the execution of the efficiency program presented in September. I mentioned already that during the first quarter of 2026 we count to already move most of the production of the coffee from one factory to the other. And I think it is a quarter then, that in a summary, is another step in the building blocks path that we have been also presenting to reach our targets. It's a quarter where, thanks to the result of the quarter and the full year, bring us to propose the dividend and improve dividend per share according to our target and to our ambition to remunerate the shareholder.

If I look at the first quarter of 2026, what we see, also thanks to the order intake that was reported at the end of Q4, we expect that the trend that we experienced in Q4 for what the Food & Beverage business in Europe and for what the Laundry business are concerned should continue also in Q1. And this should compensate the US Food & Beverage business that we saw relatively weak during the quarter. So, that is what at least we can say today.

With this said, Jacob, back to you.

Jacob Broberg
Chief Communication & Investor Relations Officer, Electrolux Professional AB

Thank you, Alberto. Thank you, Fabio.

With that, we open up for questions. Please go ahead, operator.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] The first question comes from the line of Johan Eliason from SB1. Please go ahead.

Johan Eliason Q
Analyst, SB1 Markets AS (Sweden)

Yes. Good morning, all. This is Johan at SB1 [indiscernible] (00:39:29). I have just a question. You talked about the positive Europe. Do you think there are some temporary impacts from the Olympic Games coming up in Milan in Q4 – Q3, Q4?

Alberto Zanata A
President & Chief Executive Officer, Electrolux Professional AB

Let's say that we have obviously some good businesses as usual for the Olympic Games. But first, the Winter Olympic Games are not as large or as impactful as the Summer Olympic Games. And secondly, no, it is not because it is not only Italy. The European market, all the Mediterranean market are doing well. And the good things in Q4 is that also the Nordic market has started to perform much better. So, some sales, yes, but not as such that could be considered a spike in the trend of Europe.

Johan Eliason Q
Analyst, SB1 Markets AS (Sweden)

Okay, good. Excellent. And then, I'm wondering a little bit – I mean, you are generating pretty good cash flows here and your net debt is quite rapidly coming down and then probably closer to zero at the end of this year than to 1 times net debt to EBITDA. Obviously, depending on what you are doing on the M&A side, how is the M&A pipeline? Is it sort of more of these smaller potentially attractive acquisitions that we should expect or do you still have something more sizable that could or could not materialize in the coming year?

Alberto Zanata
President & Chief Executive Officer, Electrolux Professional AB

A

I believe you know that my answer will not be a straightforward answer on the matter. The only thing that I can tell you is that we are working on acquisitions. We are working on acquisitions. We just completed one, and I can tell you that we are working in parallel on many other opportunities. If I look around clearly, there are more opportunity for mid-small size company than for large one. The large are not so many all around. But for sure, we are looking for any possible additions, inorganic addition, that is instrumental to our strategy.

Johan Eliason
Analyst, SB1 Markets AS (Sweden)

Q

Good. And then, you mentioned market share gains. I can't remember if that was related to Europe or...

Alberto Zanata
President & Chief Executive Officer, Electrolux Professional AB

A

Yes.

Johan Eliason
Analyst, SB1 Markets AS (Sweden)

Q

...why you said that. But is it any product category or a geographic area? What can you say? Any details on that?

Alberto Zanata
President & Chief Executive Officer, Electrolux Professional AB

A

Okay. Yes, I was referring to Europe, in particular the Food business in Europe. I'm referring to the cooking and that is very good because remember that we are launching also the new line of cooking, where we are the leading company in this market. So, we are reinforcing our stronghold. So, geography wise, let's say that as during the past quarters or years at the South European market, in particular Italy, they've been overperforming, they've been above the average. But as I said, the pleasing thing is that also the Nordic started to move well. But it is hot, so cooking in some way and I will say that is across Europe more or less now. So, it's a very good and promising thing.

Johan Eliason
Analyst, SB1 Markets AS (Sweden)

Q

Excellent. And then I just have a detailed question to Fabio in the cash flow statement, we see that the change in other operating assets, liabilities and provision was quite negative in the quarter. Is that the release of the provisions you took on the restructuring or what is that?

Fabio Zarpellon
Chief Financial Officer, Electrolux Professional AB

A

I would say I believe you touched at the point. I would say the remarkable things, that is [indiscernible] (00:43:38) discontinuity to the normal path is the cash out related to the execution, the restructuring. [ph] The rest is a (00:43:45) normal business development.

Johan Eliason
Analyst, SB1 Markets AS (Sweden)

Q

Okay. Good. Okay. Thanks. That's all I had.

Alberto Zanata
President & Chief Executive Officer, Electrolux Professional AB

A

Thank you.

Operator: [Operator Instructions] There are no questions at this time.

Jacob Broberg
Chief Communication & Investor Relations Officer, Electrolux Professional AB

Okay. Thank you very much, operator. Glad that we have been clear in our presentation. So with that, I will say thank you very much for listening and see you next time. Thank you and goodbye.