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Electrolux Professional AB (EPRO.B.SE)

Q1 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Jacob Broberg

Senior Vice President Investor Relations & Communications, Electrolux Professional AB

Good morning, and welcome to Electrolux Professional Q1 Results Presentation. My name is Jacob Broberg, I'm Head of Investor Relations. And with me, Alberto Zanata, who is the President and CEO of Electrolux Professional; and Fabio Zarpellon, who is the CFO. And as always in the quarterly report presentations, we kick off with Alberto. Please, Alberto?

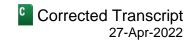
Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Thank you, Jacob. Good morning to everybody. So Q1 2022, I would summarize the quarter in five points basically. The first one is clearly strong sales development, following the positive trend initiated spring, summer last year. We continue to grow the sales with – supported by a positive development of the market. The demand is increasing, is growing, I would say across all regions with some exception particularly to be mentioned China where they return or the new lockdown due to COVID that clearly stop a trend, a positive trend that was in some way the first one – China was the first market recovering and recently stopped due to the new lockdowns.

The second point is that this a strong sales development – we've been able to deliver this strong sales development despite the supply chain challenges. Supply chain is a challenge since fall last year, I would say that increasing during the first quarter. But despite this one with the great job done by the team, the multifunctional team, putting together purchasing, engineering and R&D we have been able to make sure we did not stop our factories. We had to stop some lines here and there, but we have been able to, in any case, produce products to

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fill the inventories, to fill the warehouses, and to provide the product that we invoiced to our customers. So we are still delivering product with a reasonable lead time despite all these challenges.

The third important point is that this is the first quarter we'll report a full quarter with the Unified Brands, the company that we acquired last quarter, in December last year. And Unified Brands is confirming the positive impression we had obviously during the due diligence, the acquisition phase and the initial time spent working together. They deliver a strong quarter with an underlying business that is accretive to the group profitability.

Integration of Unified Brands is continuing, is progressing well according to plan. And as expected, we are also very close to start working together to make sure that we will be able to create value with Unified Brands, together with Electrolux Professional.

The fourth point that also is important is that the execution of the strategic priority continues very positively, meaning that sales to chains and sales of customer care, so all the products that are sold after we deliver the product to our customers, products and services are growing, healthily growing. Despite the strong sales, the growth of this – of sales to chains and the customer product is above the product sales, so very positive also, this one and you remember that is one of our target that to mix up with this customer segment and this business typology.

And the fifth part is in some way the summary of all the three that I mentioned earlier. So all in all, the profitability is confirmed around the 10% is slightly below, including the acquisition cost and all the other extraordinary costs that we have in the quarter. But if I look at the underlying profitability is above 10% during Q1, so we are confirming the positive trend of the past quarters.

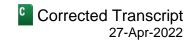
If we look at the development per region, and this is the time we see – the first time we see all the arrow trending positively. The trend is different because – the trend in the Asia-Pac and Middle East area is, let me say, less positive than in the other two in particular because of China. I think I mentioned it, China in some way is in lockdown, so the business is stopped there. And while the other region, Middle East or some Southeast Asian countries are recovering fast.

Mentioned here is that some countries, France, UK, Central Europe, if we talk about to the European one or Australia, Singapore, New Zealand, Middle East and Africa, if we talk about the Asia-Pac region and the Middle East, the Turkey in Europe. Turkey is – all these countries are above the 2017 – 2019 level, so the pre-COVID season. Turkey is more or less doubling the turnover in the quarter in that period of time. Also, North America is very positive compared to the 2019 level. Even if I have to consider 2019 level without the Subway deal, that was very significant.

Specifically going into Food & Beverage. Clearly, the Food & Beverage business was delivering most of the growth, 76% up. Half is coming from organic, half is coming from the inorganic, so the acquisition of Unified Brands. Also in this case, I would say significant growth everywhere specifically again North America and Europe beverage that was the area that was suffering the most during the pandemic is very high. Again, without the Subway deal, we are on level in North America that are higher than 2019. And in the quarter or in the recent month or so, Europe is above the 2019 level, so very positive. For customer care, the other thing that is very positive is that the customer care business in Food & Beverage is above the 2019 level in all the regions, so very positive activities in particularly related to the consumable that are sold to our customers.

If we move to Laundry, Laundry is confirming the stable growth, not as high as in Food & Beverage but a steadily progression, in particular with the profitability and I think it's important to mention this one because in some way

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the Laundry business is the most affected by the increase of the material cost. Despite this increase of material cost, the margin went up significantly, and it is now about 17% in the quarter. In the Laundry business, Europe and North America are already above the 2019 level along the full quarter, the full first quarter. So it's clear that the market suffered lesser during the pandemic and is already on the 2019 level. In Asia, it's not back yet but this is mainly related to a specific situation that we have in pretty large market that is Japan in that region.

With this said, I would let Fabio commenting the financials with more details.

Fabio Zarpellon

Chief Financial Officer, Electrolux Professional AB

Thank you, Alberto, and good morning to everybody. I just see from the material since the quarter two last year with the market recovering, we have been able to consistently increase top line, but also the operational EBITA compared to the previous year. In absolute terms, quarter one EBITA was more than doubled of what we delivered last year, and it was the highest quarterly EBITA since the quarter two 2019. Margin was 9.5%, and as said by Alberto, if you excluded the Unified Brands integration cost mainly related to inventory step up and IT related cost, underlying EBITA margin was 10%. That I would call a remarkable and a consistent performance along the last four quarters. Volumes were the main driver of the EBITA improvement clearly in this scenario.

When reading through the P&L, as you see, the gross margin was in line with the previous year despite the large increase in material cost and this is due to the price increase we put in place and higher sales and production volume. Productivity in operation quarter one was also quite better than the previous year and currency also contributed positively with roughly SEK 15 million to the gross margin and EBITA on the quarter.

I'm very happy to report that the announced price increase has been executed in a very disciplined way. But as anticipated was not enough in quarter one to cover completely the additional material and logistic cost. And we reported what we anticipated a gap of roughly SEK 70 million between the benefit from price increase and the additional cost [ph] that we are having (00:11:00) direct material component and a logistic cost.

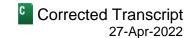
Our team has work hard to secure a product availability, component availability along the quarter, but also put in place additional measure to let me say secure pricing for the remaining part of the year. And happy to report that we have also secured this morning majority, I would say price for the second part of the year. But the cost level that we cover was higher than original plan due to the development of raw material cost in the market.

As a consequence of this situation, we have decided to put in place an additional price increase with effective date quarter two last year – quarter two this year, the new price increase will be in place already from 1st of May, meaning a few days from now. And we estimated that this additional price increase, we will be able to compensate on a full-year basis, the overall material, transportation and energy cost increase.

The gap that we have for SEK 70 million between price, the direct material cost in quarter one will be a very significantly reduced for quarter two, and I expect that the gap will be, let me say, minimum, I would estimate below SEK 10 million.

Still looking through the P&L, selling administrative expenses increased in value, but the wait on sales was reduced by roughly 3 points compared to quarter one last year. Digital initiatives are in place to support the volume growth and the labor cost in the P&L, consider also the accrual for the variable pay of the people. Investment in innovation, as well as digitalization of our company are continuing according to our plan and are reflecting into our P&L.

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Few additional words on Unified Brands to complete what Alberto was saying. Performance of the company, both in terms of top line and bottom line was in line with the plan. The integration activity are well proceeding and we counter to conclude them, let me say by quarter two, where we expect also to book, let me see, roughly SEK 5 million of remaining integration cost.

When it comes to the operating working capital, as you see from the curve represented here, we have been able to further improve the ratio operating working capital on the sales that is now running at 14.4%. Well below the level we had last year, but also below December 2021 when we had close to 15%. After the acquisition of Unified Brands, clearly our financial position remain pretty strong with the ratio, net debt and EBITDA below SEK 2 million, at SEK 1.8 million, slightly reduced compared also to the December level.

We have a solid balance sheet, but also a solid liquidity situation with the cash in our hands for SEK 690 million and a revolving credit facility available for over €100 million, meaning that we are fully equipped to support the development of this group going forward. Cash flow was negative in the quarter. The negative cash generation was not due to profitability that was reported so far as being pretty strong, but due to higher working capital requirement due to the significantly – significant growth of the business.

I would say that despite the performance in terms of cash generation in quarter one, we have a good underlying condition to continue to deliver solid yearly cash flow for 2022 and going forward.

So I will say pretty good sales, profitability development in quarter one, and we are ending the quarter also with a strong balance sheet to support the business growth, the profitable business growth going forward.

And with that, back to you, Alberto.

Alberto Zanata

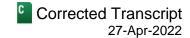
President & Chief Executive Officer. Electrolux Professional AB

Thank you, Fabio. Thanks a lot, and let's continue with the quarter, mentioning the activities according to the strategic priority. Beginning, I mentioned the results or the achievement, if you want to say, for what the quarter is concerned for [indiscernible] (00:16:23) chains and customer care.

Another thing that is part of our priority is to continue to bring to market the innovative solution, and this is what we have been doing also in Q1, introducing to the market the SafeBox. That is a pretty good tool, a good product that we developed, by the way, coming from an idea that was generated by our people during the pandemic when we had the innovation competition among our people that were in lockdown. This was an idea that we transforming a product. We tested it with chains because it's addressing a specific need that is the takeaway, the delivery and that every restaurant turned out to create as an alternative to the normal business and now is something that is going to stay and to further develop. So this is a great product that we introduced in the market, just introduced, is under test and with several chains around the world, and we are expecting a lot from this innovative solution.

In addition to that, we also are lucky – happy to report that we received the Red Dot Design Award. That is probably the major design award, referring design of product, the overall concept of design, not only the aesthetic, but all the characteristics. And this year, we received it for two products – two product. The TrinityPro that was introduced at the end of 2021, and the LiberoPro that is – that we introduced the beginning of this year. Again, new product that we introduced that are addressing the growing trend of the new trend in this industry. So again, a company that is continuously bringing new products to the market. I strongly believe that new products are the fuel, let me say for the growth and these are clearly good product to support our development.

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With this said, before coming to the summary, let me have a couple of words also about something that is obviously in the mind of everybody, that is the situation in Russia. I have to say that we took actions immediately when the sanction came in place, when the war started, and we stopped receiving orders from customer in Russia independently and if they were sanctioned or not. Beginning, we put on hold or we put on hold, we stopped collecting orders. Then obviously, we comply with the sanctions list. So not delivering product to any sanctioned customer or product that were in the sanctioned list. We still have an organization in Russia, roughly 25 people. We care about them. They are mainly use to manage business outside Russia. Currently, we are not only, as I said, this is the beginning, collecting order, but we are not even sending shipping product to Russia. We stopped weeks ago to do this. So this is the situation in Russia. Russia, in any case, business wise beside the humanitarian situation and as you probably know, we supported both with donation, money donation matching the donation of our people. But also we're proud to deliver to organizations that are supporting the refugees in Romania and in Poland, the neighboring countries.

But beside this certainly humanitarian situation, business wise, Russia is a tiny business for Electrolux Professional. It's less than 1% of our net sales last year. So it is not impacting our performance, the current situation. We don't have a supplier base in those countries. So also the supply chain is not impacted by what is happening in that part of the world.

With this said, I would summarize the first quarter results are confirming that that the recovery of the market is still there, still a good recovery. As we said, that we were expecting the market to be back to the 2019 level. It is the case in most of the countries in Europe, in some countries in Asia Pac, surely North America, the market is back to the 2019 level and our sales are back to this one.

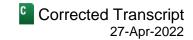
Also, in terms of typology, beginning it was mainly the quick service restaurants and the chains. So we are back now, also institutions are moving, beginning it was mainly a replacement business. Now we clearly see that both of the chains are restarting the roll outs, but also the project business is back, medium-sized, but also large-sized project restarted.

The second, this recovery is happening and the growth of the sales are stronger despite the supply chain challenges, both in terms of availability of components, but also in terms of price. As Fabio said, the negative impact during Q1 was significant, we believe that in Q2, it will be pretty close to be neutral between the price and the material cost increase.

We are implementing additional price increase in May to make sure that we are able to compensate this delta. It would be price increase or some charges according to the different geographies to make sure that we are effective from May 1. Another important thing that I like to mention is that a week ago, we announced a new – an evolution of the organization, still we will be reporting under the two segment, Food & Beverage and Laundry, but within the two segments, we decided to have decentralization of the business ownership. We created the business areas that will be focused on specific geography or product categories. And this is in line with the guiding principle that we announced a year ago and that are the one that we want to see – that in some way, as I said, guiding the behavior and the way of working of our people. It is in some way, a progression from the separation from the Electrolux Group when we say that one of the reason was to be closer to the customers, to be very specific, to become more flexible, agile, and faster. And I believe this evolution of the organization is exactly addressing these things.

The last point is about Unified Brands. Integration continues [indiscernible] (00:24:00) according to plan. And I'm confident that in a quarter – in a couple of quarter we will be able to start thinking about the additional value that

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we can create having Unified Brands part of the group. So Q2 with the – quite confirming the positive trend, the order stock is larger, it has been confirmed despite the strong sales. So the confidence about Q2 are good. The second half of the year still with a lot of uncertainty related to the geopolitical situation, social situation that are affecting the different region of the world.

With this said, I would turn it to you, Jacob, for the Q&A.

Jacob Broberg

Senior Vice President Investor Relations & Communications, Electrolux Professional AB

Thank you, Alberto. We will now open up for questions. So please go ahead, operator.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] The first question comes from Johan Eliason from Kepler Cheuvreux. Please go ahead. Your line is open.

Johan Eliason

Analyst, Kepler Cheuvreux SA (Sweden)

Yes. Good morning. This is Johan. Thank you for taking my questions. I have three small detailed questions here. On Laundry, it did fairly well, obviously, but we remember that sometimes there's some restocking going on with your big distributor like I understood in Q1 2020, for example. Was there anything similar impacting the quarter this time around?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

There is not an effect like the one we had during 2020. 2020 was destocking, let me say and then restocking later on, absolutely not. And the meaning that sales to our distributors in Q1 were stronger, very stronger but also his external sales were very stronger. So no, there is not an effect like this one.

Johan Eliason

Analyst, Kepler Cheuvreux SA (Sweden)

Okay. Excellent. Then on the gross margin and this sort of cost inflation you're talking about not fully recovered SEK 70 million. Is the logistics part of that also included in the gross profit impact or is that also further down below the gross profit margin?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

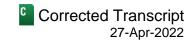
The logistic-related costs being transportation, warehousing and so on are into the gross margin. So when I mentioned the gap between price and cost – these costs, material and logistic costs that was SEK 70 million for quarter one and in respect to let me say reduced to less than SEK 10 million for quarter two it includes also the logistic costs.

Johan Eliason

Analyst, Kepler Cheuvreux SA (Sweden)



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Excellent. And then I was just curious a little bit about the price hikes. You mentioned something about surcharges and I can't remember – I've heard you mentioning that before. Has there been some sort of change?

Alberto Zanata President & Chief Executive Officer, Electrolux Professional AB	A
Yeah.	
Johan Eliason Analyst, Kepler Cheuvreux SA (Sweden)	Q
So you're using surcharges to recover the cost inflation a bit faster or	
Alberto Zanata President & Chief Executive Officer, Electrolux Professional AB	A
Yes.	
Johan Eliason Analyst, Kepler Cheuvreux SA (Sweden)	Q
just?	
Alberto Zanata President & Chief Executive Officer, Electrolux Professional AB	A

You're perfectly right in the meaning of that. We didn't use this in the past. It was used in some spot situation but it was not used and for sure I did not mention it in the past. We are using this one because it gives us the possibility to be effective short-term. So it will be in place in May 1. So in some countries, you need to have three months before having a price increase effective. Materials are impacting us today. So with this one, we are very fast in being effective.

And secondly, it is temporary. So the surcharges as a temporary effect, limited in time, it will – we announced it for six months. So this means that in six months from now, we will take a decision if we have to further increase the price of our product or I don't know the conditions that is the big thing is that the second half is still full of uncertainty. So we are cover and we have the freedom to decide what to do.

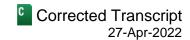
Johan Eliason
Analyst, Kepler Cheuvreux SA (Sweden)

Okay. But does it also mean that the orders you have in the backlog from Q1, you can add a surcharge on or surcharge on or is it just on new orders?

Alberto Zanata President & Chief Executive Officer, Electrolux Professional AB

It is automatically on new orders. And for old orders, not for all of them, it is applicable. We had also this one for the price increase that we apply from January 1, we said that that for every order that are not invoiced by the end of February, the new price would have been applied even in the orders were placed before January 1. This cannot be done for all the prices, sorry for all the orders and for all the customers, because we are binded by contract in many cases. But whenever it is possible and it is justified, yes, it will be done.

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Johan Eliason

Analyst, Kepler Cheuvreux SA (Sweden)

Okay. Excellent. And then, finally, you mentioned Laundry Japan decline, was there any specific reasons behind that

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

There are some specific reason related to the market and something also related to our performance or the performance of our organization. Obviously, again, Japan is not a super large market, but in Laundry and in the Asia Pacific, we have to always remember that Japan is the second largest market in the world after North America. And that's the situation. And we have – traditionally, we are the first non-Japanese company. So, ahead of us, there are a couple of Japanese company. So it is a pretty significant business in the market limited that if I look at a global – if I have a global view, but quite significantly if I just specifically look at Laundry and the Asia Pacific region.

Johan Eliason

Analyst, Kepler Cheuvreux SA (Sweden)

Okay. Excellent. Many thanks.

Operator: Thank you. [Operator Instructions] Our next question comes from Karri Rinta from Handelsbanken. Please go ahead. Your line is open.

Karri Rinta

Analyst, Svenska Handelsbanken AB

Yes. Thanks. Karri at Handelsbanken. I have two questions. Firstly, about the pricing and this price increases that you announced. Firstly, can you give us sense [indiscernible] (00:31:03) — with these price increases that you are now putting in place from 1st of May, roughly where are we if we would sort of compare price index from 1st of May to where prices were 2019? And then, secondly, with this sort of announcement that you have made to your customers, are you starting to see any meaningful pushback in some of the categories some of the geographies in some customer groups. Those would be my two pricing related questions.

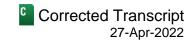
Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Okay. So the price increase that we are going to apply from May 1 without being specific because again, it is different region-by-region and business – and product-by-product because the material increase has a completely different factor considering the different product and location where we produce them. I think I mentioned the fact that when I was commenting the development of the profit of Laundry, that the Laundry product are more affected by the increase of the material than the Food & Beverage one because of the use for instance of carbon steel that is increasing more than the others. So it cannot be.

But in average, we are talking about the May 1 low-single digit. Remember that the increase that we had in January was in reality in the high-single digit. So, all-in-all we are talking about a significant price increase. Compared to 2019, I personally didn't look at that one. The comment that I can make is that in the 2019 years – over the years where the price increase was basically following the inflation, so we are talking about the low-single digit, then for sure during the pandemic they've have not been price variations. And so this means that

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probably we can aggregate what the price increase we have in 2021, the one in June, the one January 1, 2022. And this one, this is the delta compared to the 2019 level.

So we are talking about more than 10% in term of price. And then looking at Fabio, if he has a different comment on the matter but I see him confirming more or less this delta. So we are talking about the price.

The second one is the pushback. And here again, I can only tell you that the order intake, so receiving orders also during the month of April is still stronger than the net sales. So we still have a good collection of orders. I believe in this moment, our customers are more concerned about the product availability than all the rest. I said that the market is recovering. So we had a local statistic, at least the one in Europe, about the touristic trends during the Easter season. That is the first in some way, how can I say, a signal related to how is going the movement, the hospitality industry for 2021 and they were super good. They were super good basically all across the European countries.

There's been a notice about the Americans coming back. Obviously, there are no still Chinese, Asian, Russian tourists, but the Americans are back. The Europeans are moving and they are back also in the cities. So if you remember a year ago, we mentioned that the tourism was good along the coast and let me say open space, touristic place while was very weak in the big city like Paris or the typical touristic destination like Rome, Venice in Italy, London or places like Madrid, the Spanish ones. In the cities, the cities were fully booked and that is an important signal for the market. So in this moment, our customers are concerned about product availability. They are placing orders. And this is in some ways the reason why I'm still cautious about the second half of the year.

Karri Rinta

Analyst, Svenska Handelsbanken AB

Thanks. It sounds like demand is not to be a problem at the moment. But what about supply, you mentioned – I think you mentioned that you had to take some short-term downtime with some of machines during the first quarter. So how confident are you that you will manage this component shortages in the second quarter? And is there any difference between Laundry versus Food & Beverage in terms of component availability?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

There are not significant differences depend on know from where we get to the component in this moment. The factories that are, for instance, using the electronic component made in China are the one that have more troubles or challenges because of the lockdown in Shanghai, Shenzhen and that part of the region.

So it is still a moving target, let me say that we are managing with the team that I mentioned earlier. We call it the speedy boat in the meaning, that it is a multifunctional team that is looking up at the planning of the factory and is looking for resourcing, replanning and in some way also, replacement of a component to make sure that we are able to deliver the product.

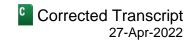
It's not a great situation, absolutely not. It is good to see that in any case, productivity improve in our facility. It is true that it is compared to the 2020, that was a year still affected by the pandemic in some way. But it is good how they've been able to manage this in the different operations.

Karri Rinta

Analyst, Svenska Handelsbanken AB

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Thank you. And then finally, the customer care business that you mentioned that has been growing faster and your overall growth rate. So what have you done to drive this growth and what actions do you have planned for the future?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

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What have we done? We have been honestly – I think probably the easy thing is to say that we executed. We really did what we were supposed to do. And the meaning that, we have been talking quite a while about the program that we mentioned Essentia, that is a holistic project that is encompassing the creation of our complete program of product.

So this means accessories, consumable, but also services that we can offer to the customer. We have been hammering the customers with this program. It is relatively new for our industry. So it took time to get grip on – or to get the customer understanding the benefit, evaluating the cost versus the benefit of having the product being maintained during the life. Understanding that the real cost of the product is when the product is installed.

So the running costs in many cases are by far overtaking the ticket price. So step by step, we are getting traction on the matter. The first one are the big customer chains. So the multi-units operator. So people that they have a better understanding of the business. But now, we are really happy about that. And what is good is that, it is not happening only in the countries where we are very strong, like the European one where it was expected because of the large installed base, but it's happening also in Asia Pacific. So it seems general, meaning, I have to say that we have to consider with the lack of product availability that generally is around the market, the customer are caring more about the product that they have and to make sure that the product can work longer.

Karri Rinta

Analyst, Svenska Handelsbanken AB

Thanks. Those are all my questions.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Thank you.

Jacob Broberg

Senior Vice President Investor Relations & Communications, Electrolux Professional AB

Α

Okay. We take a question from the web then here. Stefan Stjernholm at Nordea. He asks, group common costs are up substantially year-over-year in Q1, what's behind? Is this a new level? And how should we think about the group common costs going forward?

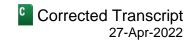
Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

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Yes. We had the growth of group common cost compared to Q1 last year and the previous quarters. I would say that besides some inflationary item related mainly to labor cost, the main growth is related to, I would say specific advisory costs that we have for several projects that we ran in quarter one. I'm expecting for the quarters to come, that group common costs will come back to a more normalized level, meaning in line with the 2021 plus some inflationary items to be included.

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Jacob Broberg

Senior Vice President Investor Relations & Communications, Electrolux Professional AB

Thank you. Operator, I don't know if there are any more questions.

Operator: Thank you. We have one question from Henrik Christiansson from Carnegie. Please go ahead. Your line is open.

Henrik Christiansson

Analyst, Carnegie Investment Bank AB

Yes, thanks. Good morning. So I have two questions there really. The first one is on the cash flow, that's a bit weak. You call out the inventory buildup on receivables. Could you give a bit more color on what the inventory buildup is about? Is it top finished products, is it components? And when do you expect that to normalize and it's relatively Unified Brands effect there as well [indiscernible] (00:41:26)

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Okay. So, let me develop the [ph] concept(00:41:31). First, overall, operating working capital on sales was reduced further and I believe we have achieved one of the lowest level over the very recent quarters. In absolute terms, operating working capital increased, increased because what you said we have adding Unified Brands that, by the way, overall is operating with a level of operating working capital in line with the rest of the group. And we have increased also in value receivable and inventory. To develop around these two last items, yes, we grew receivable. We grew receivable consistently with sales.

I have to report that in terms of quality of receivable, the balance sheet is pretty strong because we have reported giving a further reduction of past due in this quarter also compared to the previous quarter. I believe we have one of the best historical level in terms of past due on total receivables. So the quality of the balance sheet is pretty stronger.

When it comes to inventory, yes, inventory went up. Inventory went up because of the inflation. Let me say that is reported on raw material and therefore on the value of inventory. This is definitely a factor. But also we have – we are building up the inventory to serve customer and I would say pretty strong all the stock that we have to enter into quarter two. I will say that it's a situation that is pretty well under control, both in terms of receivable and inventory and I have not any specific concern for it going forward, meaning, I expect, as I mentioned earlier that in terms of cash generation for the year, all the ingredients, all the historical good ingredients [indiscernible] (00:43:37).

Henrik Christiansson

Analyst, Carnegie Investment Bank AB

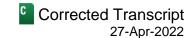
Thank you. And then on the EBIT, you mentioned, if I heard correctly, you have an FX tailwind in Q1 of around SEK 15 million in both gross margin and on the EBIT margin. What would you expect the effect to be for the full-year based on current FX rates?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

First of all, I'm not going to speculate to the development of the currency because it's not my role and it's very, very difficult to predict. We see also – I was looking in this hour, the development of the US dollar that has being

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further strengthening against the other currency. I mean, just to give you a hint, if a US dollar continue with this development, we will see also some positive currency contribution in quarter two, difficult to predict more.

Henrik Christiansson

Analyst, Carnegie Investment Bank AB

Great. And then a final question here. You talked about strong order book and you say you're comfortable ahead of Q2. But I mean, how long is the order book? If you would receive zero orders from today, how long will the current order book last? And then if you could talk a little bit about the lead time in deliveries as well, if you're a customer, if you order something today, when do you actually get it delivered?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Yeah. As I said, the lead time is a reasonable time, and reasonable means a longer than what it was normally the lead time. We have a pretty large stock, so we have product that can be deliver [indiscernible] (00:45:30) to customers depend on the product categories. There are product categories that we are delivering with a lead time that is more than a month. There are others that we can deliver on the spot, so it is not generic prolongment of the lead time, it is more case by case.

Again, I believe the important thing or at least the one that I am following is, if it is reasonable, if we are able to manage the urgent orders of some customer and for the time being, I have to say that we have been able to do it. We did not receive order cancellation because of such a situation. Probably also because it is in general a critical situation for the entire industry with the largest stock that we have, a portion of the stock is booked. So this means it is already with the name of the customers in case we are waiting for product to complete the order or the customer to pick them up and we can redirect some of this product when there are urgency. So for the time being, we are able to manage the situation. We are monitoring it day-by-day because clearly the supply chain is very critical so.

Henrik Christiansson

Analyst, Carnegie Investment Bank AB

Thank you.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Welcome.

Operator: Thank you. The next question comes from Björn Enarson from Danske Bank. Please go ahead. Your line is open.

Björn Enarson

Analyst, Danske Bank A/S (Sweden)

Yes, hi. Sorry if you have answered this question already or maybe I just didn't get it. But on the surcharges that you are now implementing, and they are temporary for six months. If we would assume a continued inflationary pressure, is it possible to renew them or is there a risk for a negative gap, etcetera, or how quickly can you renew those if needed?

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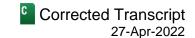
Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

For what we know, this should be enough. This should be enough. And the gain it's limited in time also because typically the fall period, so the after summer period is the period where normally not only us but in general, all the company are looking at the price list. I believe during this crazy years when all the price list have been increased every four, six months, I think in October we will have to realign the price according to the new situation. Hopefully in a more stable situation, if not, they are renewable. We can renew and can extend and we can change these surcharges, absolutely, yes.

surcharges, absolutely, yes.	
Björn Enarson Analyst, Danske Bank A/S (Sweden)	Q
Okay, I got it. So you are raising prices in the meantime, and then they should be matched hop	efully.
Alberto Zanata President & Chief Executive Officer, Electrolux Professional AB	A
Hopefully.	
Björn Enarson Analyst, Danske Bank A/S (Sweden)	Q
Okay. Thank you.	
Alberto Zanata President & Chief Executive Officer, Electrolux Professional AB	A
You're welcome.	
Operator : Thank you. The next question comes from Fredrik Moregård from Pareto Securities ahead. Your line is now open.	s. Please go
Fredrik Moregård Analyst, Pareto Securities AB	Q
Thank you. Good morning, all. Just a question on potential bottlenecks, when it comes to dema couple of quarters ago, you mentioned a lack of craftsmen in the industry holding back growth a market recovery. Is that still an issue or has that situation improved or is it simply that the bottle from craftsmen to product availability?	and holding back
Alberto Zanata President & Chief Executive Officer, Electrolux Professional AB	A
You mean craftsmen for us to produce or in the industry? So	
Fredrik Moregård Analyst, Pareto Securities AB	Q
No, in the industry for your customers. [indiscernible] (00:49:46)	
Alberto Zanata President & Chief Executive Officer. Electrolux Professional AB	А

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For our customer, it's still an issue. It is still an issue. If you walk around, you see that they are looking for people. I would say that more than holding back the development of the market, at least, probably also a personal opinion as a customer is reducing the level of service you get. But it is an issue this one, generic issues across all the countries in the industry. Absolutely, yes. But I don't think it's holding back the development of the industry.

Fredrik Moregård Analyst, Pareto Securities AB	Q
Okay. Good to hear. And to what extent if it's an obstacle for you in developing your customer care offering?	
Alberto Zanata President & Chief Executive Officer, Electrolux Professional AB	A
No, I would say no, not at all.	
Fredrik Moregård Analyst, Pareto Securities AB	Q
Okay, very good to hear. Thank you.	
Alberto Zanata President & Chief Executive Officer, Electrolux Professional AB	A
Welcome.	
Operator: Thank you. There appears to be no further questions. I will turn the conference back to you.	
Jacob Drobour	

Jacob Broberg

Senior Vice President Investor Relations & Communications, Electrolux Professional AB

Okay. We say thank you for today and speak to you next time. Have a good day. Goodbye.

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