

27-Oct-2023

Electrolux Professional AB (EPRO.B.SE)

Q3 2023 Earnings Call

CORPORATE PARTICIPANTS

Jacob Broberg

Chief Communication & Investor Relations Officer, Electrolux Professional AB

Fabio Zarpellon

Chief Financial Officer, Electrolux Professional AB

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

OTHER PARTICIPANTS

Johan Eliason

Analyst, Kepler Cheuvreux SA (Sweden)

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

MANAGEMENT DISCUSSION SECTION

Jacob Broberg

Chief Communication & Investor Relations Officer, Electrolux Professional AB

Good morning and welcome to Electrolux Professional Group. Today we are presenting our third quarter result. My name is Jacob Broberg, I'm Head of Investor Relations and Communications. And as always with me, I have Alberto Zanata, the CEO; and Fabio Zarpellon, CFO. I leave the stage to Alberto. Please go ahead, Alberto.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Thank you, Jacob. And good morning to everybody. So Q3 is the third quarter of this year, third quarter where we are still above 10%. And if I look at the nine months, so the year-to-date performance, we are still ahead of last year both in terms of sales and EBITA.

Going into the detail of the quarter, let me start from the cash conversion because that is for sure the headline considering that we had a strong cash generation with 135% cash conversion. Cash generation that gave us the possibility to further reduce the ratio between net debt and EBITA.

Going up to the sales, it is a quarter where we reported declining organic sales slightly above 5%. And this decline is mainly driven by the performance in the United States. The decline of organic sales had also obviously an impact on the profitability and our EBITA decreased slightly more than 8% year-on-year with a delta compared to last year of roughly SEK 27 million, slightly less than [ph] SEK 30 million (00:01:47).

If I look at the decline of the profitability, decline of the margin and EBITA in absolute term, as I mentioned, the first reason is clearly the drop of volume, the decline of sales, in particular, I repeat, in the United States. Second reason that is important because is the negative impact is even larger than the gap compared to last year, is the

currency, the negative currency and transactions impact. We will detail a little bit more from which currency it comes. But the negative impact is around SEK 40 million.

Third element that I want to mention when we compare the performance of 2023 with the one of 2022 – Q3 2023 versus Q3 2022, is that the comparison between particularly in Laundry when in Q3 we started to invoice the product or the order that accumulated in the first – in the second quarter of the previous year of last year, and that were delayed or shifted to the second part of the year because of the missing component. And as a consequence, the unfinished product that we produced during that quarter. The total amount of the shifted order is around SEK 220 million all in Laundry. So it is impacting the Laundry performance [ph] is this one (00:03:27). And I would say that roughly slightly less than a third was in Q3, and obviously slightly more than two-third in Q4 last year.

If I look at the dynamic, the sales, the loss of volumes and sales that we reported in Q3 by geography, I already mentioned that the big drop is in North America. And it is both in Laundry and in Food & Beverage. In North America we had in reality the South America business going up, but it is so tiny compared to the North America that didn't clearly compensate the significant drop of volume that we had.

The region APMEA, so Asia-Pacific, Middle East and Africa reported a growth that was quite significant in Laundry and slightly up, also in Food & Beverage if we exclude the large project that we had last year. So like-for-like we had a growth both in Food & Beverage, but significantly growth also in Laundry due to the fact that we have been commenting this during the past quarter. A point about China. As you – as we – as you see we are not noting anymore China is the negative one, because we see things moving. They are not back to what we expected and what it should be. But we see things improving in China in the area.

Europe is flat compared to last year. But also here we have two dynamics. We have Laundry slightly up and Food & Beverage slightly down, slightly up and slightly down means 1, 2 percentage point. But let's go into the detail of the two segments. So if we talk about Food & Beverage. Food & Beverage, we said it – we have been down in Europe. And also here we have clearly two splits. We have the Nordic country, the Nordic market, that are reporting a softening of the demand and they have been negative in the comparison with last year, while the Mediterranean region is still growing, both in terms of sales and in order intake. The big hit you see is in North America and here you see the 10% in Asia-Pacific, Middle East and Africa because, again, I repeat, it was in particular related to the big order that we had last year. If I exclude that one, it was a very large order, and one-off obviously. And if you exclude this one, the trend is positive in the region.

A couple of words about North America, because I'm sure there are questions and there have been question also during the past months about the situation, about us gaining or losing market share in the market. In North America, the business is structurally basically in three typology, the distribution, the institutional business that are the big kitchens that you can find in school, public sector and the chain business.

The distribution business is tiny and it was the one that was affected by the destocking. Last year. We had a super good year in distribution. It was significant last year and now is getting back to normal. During the first part of the year, we basically – I don't mean we didn't invoice, but the invoice was tiny because all our distributors they were selling their product that they bought in large quantity the year before. Now is normalizing. In October, we see a positive order intake is the first time since the beginning of the year. So we believe that the destocking phase is over and this should normalize the trend.

Institutional chains are basically 50/50 of the remaining business that is the big, big portion of our business in North America. If I look at the chain business, I would say that what we see is that our customers, so the chain customer that are already buying our product, they didn't switch to other competitors. So we didn't lose customer.

We clearly see this one. So they slow it down, the order of new product. That means that they slow it down, the opening of new restaurants.

The replacement of existing product. They postponed the investments. The new customers, the ones that are testing our product also in this case, we didn't lose any ongoing test. So we see that these customers are also continuing to test our product both in the labs and in the markets. But they are postponing their decision. I believe the word postponing is a key one, because this is what we saw during the last weeks of September when we reported also majority of the drop of the sales.

The third part of the business in North America is the institutional we said. That is majority of the legacy business that we had before the acquisition of Unified Brand (sic) [Unified Brands] (00:09:24). And this is probably where we had challenges, is an area where we clearly had internal and external challenge, internal related to the integration because during the quarter we have been running the full integration of the system, including – sorry or the team, including the merger of from three to one IT system. But also we had some external challenges with our reps and our representation in North America. So that is the area where we surely had more challenges in the market.

Order intake for Food & Beverage, we see that with the dynamic related to Europe, better in south, a little bit weaker in North America – sorry in the northern part of Europe is on the same level of last year with exception of USA. Laundry, if we go to, Laundry again, sales have been up significantly in Asia-Pac. They've been also up in Europe, slightly up in Europe. They've been down in United States.

And now the comparison in particular with what Europe – for what Europe is concerned has to consider, as I said, that last year, we had roughly a third of the SEK 220 million of business that was shifted from Q2 to the second half of the year, roughly a third was in Q3. And it was in particular in September of Q3. So that is the big point of Laundry. And we have also to remember that this shift of business was a shift of highly profitable business, because we produced the product earlier, the cost, the fixed cost that were there independently if we were invoicing or not this additional business. So it was this shift of business impacted not only the sales, but also the profitability. The order intake of Laundry was on the same level of last year.

I believe with this said, Fabio, we can go into the financials.

Fabio Zarpellon

Chief Financial Officer, Electrolux Professional AB

Thank you, Alberto. And good morning to everybody. As you have seen, Q3 was a solid quarter we an EBITA margin above 10% and SEK 290 million in value. Despite the decline in sales, as you heard from Alberto, primarily US and adverse currency transaction impact. Is really to also to note that we have been able to further improve the gross margin by 1 percentage point, but also the value – and value gross margin increased despite lower sales. Positive contribution continue to come from price, more than compensating the inflationary item like the labor cost. In the quarter, we also started to see a positive contribution from direct material and the high margin customer care business continue to grow [indiscernible] (00:12:57).

Few words on the currency transaction. As you heard from Alberto, the impact in the quarter was significantly, approximately SEK 40 million impact year-over-year. And let me say the big offender are the weakening of the SEK both versus euro and Thai baht, but also the strengthening of the Thai baht overall, not only versus SEK, but also versus euro.

And here a couple of example in Laundry. You know we have a large production facility here in Sweden for Laundry that buys raw material and component that are euro-based internal pricing. So a weakening of the SEK has definitely an impact on the currency cost of the raw material. The same applies still in Laundry. We have a large production facility for Laundry and Beverage in Thailand. And despite the improvement that we are doing in that operation, the strengthening of Thai baht has a negative impact on the product cost.

Moving outside the EBITA area was to report that finance net somehow increased compared to last year due to the increase of interest rates. It was SEK 33 million in the quarter. I will say an increased amount, but worth to mention that it represent really a sustainable piece of our P&L.

Tax rate in the quarter was 26%, slight above the average. But I will say no change on the overall guidance of 25% tax rate over time. Cash flow was strong, definitely stronger in the quarter, confirming that cash generation is now normalizing at the historical good performance that you see also in the chart here.

[ph] EBITA was over SEK 300 million and this strong EBITA (00:15:22) has been combined with a reduction on the working capital requirement. A remarkable result I have to stress that we achieved while we continue to invest in CapEx both on the product development, but also in the automatization of our production facility.

Operating working capital was SEK 2.2 billion at the end of September, reduced compared to the level we had in June this year and 4% below September last year of the same currency. Receivable decreased in value, because we generate lower sales compared to quarter two this year, but also quarter three last year in terms of comparability. But what I wanted to mention to you is a remarkable improvement that we had in inventory with the stabilization of the supply chain and the action that we anticipated to you and with discipline put in place, inventory was significantly reduced and it is now 8% lower than September last year at the same currency. And further reduction are expected by year-end. We are definitely on the right track to revert the operating working capital requirement on sales.

Our financial position has been further strengthened and we have now a ratio on net debt to EBITDA of 1.2 times that is a significant reduction compared to 2.3 times that we have just three quarters ago. Cash availability was SEK 650 million. And here you have the graphs regarding the evolution of ratio net debt on EBITDA. Worth to mention that this reduction has been generated, thanks to a combination of increased [ph] EBITDA (00:17:44) and a reduction net debt of roughly SEK 860 million year-over-year. Reduction that is achieved after having paid dividend for additional SEK 220 million.

Looking forward for the future, I expect this trend to continue, meaning further reduction on the ratio, net debt on EBITDA to continue. And this is particularly important, because our balance sheet is strong and will be further strengthening going forward and the reduction in net debt is important in particular in times like this one where the money is more costly than they were in the past.

Last comment from my side on the financial development is about an important step that we did in quarter three. We launched a commercial paper program for a value of SEK 2 billion. We have issued SEK 600 million in September under the program. And we had really a pretty good and large interest from the investor. I believe that this is an important step in expanding our sourcing facilities. [ph] Step that (00:19:16) when you look at the combination of the normalized cash flow generation this new commercial paper program, the €200 million unutilized revolving credit facility you clearly understand that we have definitely the means to support the business going forward, including also potential and possible M&A opportunities.

With that, back to you, Alberto.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Thank you, Fabio. And now let's talk about things that are I – personal things make me proud of what we do in this company and the meaning that beside the financial, we are also looking to make this company a better company in all the aspects, in particular the sustainability. So our target to reduce the greenhouse gases has been approved by the science-based. So it is important. In my opinion that they are confirming both our commitment, but also our capabilities to be impactful on the planet. Not only I have – I'm very happy to report that we are ahead of the plans that have been approved. We are ahead at August, and we believe that we can reach the target that we had, the intermediate target that we have in 2025, we can reach it one year ahead of our ambition.

The second one I like to report an event that we have been running all along October. It is an event that we call the Hive and it is an event that was organized in the center of excellence, the big showroom or test kitchen that is located close to our where we have our factory down in Italy. It was an event that collected hundreds of key customers. Here we are talking about dealer, consultants, chain customer that have been visiting us. They've been spending one or two days in our facility, getting a full immersion and understanding about the strength and the elements that are making this company different from others.

So talking about the full solution because you can clearly appreciate the full 360 business that we are – we can offer to customer from Food & Beverage, Laundry, not only customer care and whatsoever. [ph] These themes (00:21:55) were about the sustainability and in particular the cost of ownership that as I said more than once is becoming very, very relevant for our customer on these days. And the digitally connected appliances that we can offer, not only appliances, but ecosystem was very successful. It has been very successful. And obviously we will close it at the end of October. And it is something that for sure will pay back during the future in the coming months.

With this said, to conclude and summarize, it is a quarter where we reported weaker sales and profitability versus last year, in particular talking about the profitability is a profitability that declined mainly due to the volume decline in North America, the negative currency and transactions impact that was roughly SEK 40 million negative that is larger than the gap of EBITA with last year. And the comparison with the Laundry business that I mentioned earlier. With this EBITA decline, I think is good to keep in mind that we improved the gross margin. We improved the gross margin thanks mainly to price and material improvement that will continue to be there also in Q4. So these means that the EBITA in some way beside the absorption so the volume was also impacted by cost clearly. And this is the reason why we already put in place actions to reduce the cost all across the business area and financials. We have actions to mitigate and reduce the cost.

The second element is obviously the confirmed capability to generate cash flow. To generate cash flow that is giving us the possibility to reduce the ratio between the net debt and [ph] EBITDA (00:24:08). The third comment is about the order intake. The order intake is on the similar level of last year. This means that the order stock is still healthy order stock is on a normalized level. That means a couple of months of sales that is there. So order intake on the same level of last year with one exception that is North America that we see still suffering a decline of the demand.

With this said, we clearly see recently developing more negative customer sentiment. It is mainly in the US. If we want to say in Europe, it could be in the Nordic country of Europe. With this sentiment, we put in place action to reduce the cost. We will see an improved gross margin thanks to price and material continuing also in Q4. And we put in place actions to short-term reduce our discretionary spending. And this in some way thanks in particular to the good order stock is giving us a sound comfort for the end of the year.

With this said, Jacob, back to you.

Jacob Broberg

Chief Communication & Investor Relations Officer, Electrolux Professional AB

Thank you. And 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] Our first question comes from Johan Eliason from Kepler Cheuvreux. Please go ahead.

Johan Eliason

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yes. Good morning, all. And thanks for taking my question. I was wondering we see very good cash generation coming out of the company and your net debt is rapidly coming down. And I assume we are going into a bit of a slower environment as well. But we also have the fact that valuations of potential M&A targets is probably going down as well going forward. Do you think there are any possibilities for you to do some action on the M&A front now when we're entering the slower times, or are you still sort of pretty busy with integrating the UB acquisition as you highlighted issues with IT integration and stuff like that not making it possible for you to sort of take on another acquisition in the near term? Thanks.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

As I said – thanks for asking first because it's a good point in the meaning that it is also one of the reason why we are on our own on these days so to run acquisition and to grow inorganically, sorry. We have been scouting the market, continuously scouting the market. So the integration of UB I would say has been challenging and had some repercussion on the business during the past months. But from October 1 we are running the US operation under one IT system. We have only one legal company, so we did the merge. These are internal in some way disruption if you want to say. Externally, we have been also merging the teams starting from the chain that was done earlier and recently also the one for the general market, for the institutional market, that that was the one where we suffered by the way.

So I will say that with October I don't mean there are no more challenges, but for sure we have the possibility to eventually run an acquisition if it comes. And I hope you understand that that is something clearly that we are working on, on everything as usual as every month. But in this moment we are not in the condition to announce anything clearly.

Johan Eliason

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Do you think price expectations for a potential seller is still too high versus where you expect them to be or what's the main issue right now?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

The main issue, if you want to say generically, is the fact that in any case there are not so many available target. The valuation is still high. I remember during the COVID when the market went down significantly and that was the period where basically nobody have been able to run any acquisition despite the value of the company, theoretical value of the company was low is that nobody decreased the value, the valuation of the company because this is a business where you know that typically you're able to extract value. You can have a slowdown. Yes, you can. But I mean, in particular United States, that's a market where the decline is faster, but also the recovery is very, very fast.

Johan Eliason*Analyst, Kepler Cheuvreux SA (Sweden)*

Q

Yes. But what you have obviously right now is significantly higher interest rates. And also in the sort of long-term, if you look at the 10 year bonds, et cetera. So that should have a negative impact on price expectations, but you are not seeing that yet I think?

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

A

No.

Johan Eliason*Analyst, Kepler Cheuvreux SA (Sweden)*

Q

Okay. Thank you.

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

A

Thank you.

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

Gustav Hagéus*Analyst, Skandinaviska Enskilda Banken AB*

Q

Thanks, operator. Thanks for taking my questions. And sorry I was a little bit late into the call, so maybe you've already answered this. But starting with the FX impact on the SEK 40 million. Firstly, if you could remind us what was that impact in Q3 and Q4 last year as a reference? And then I didn't really get the explanation with the Swedish-based factory how that would be negative with the weaker Swedish krona. I assume most of those sales are in non-Swedish krona, so it would be benefiting from a weaker Swedish krona. But perhaps if you can just walk us through that, that'd be helpful? Thanks.

Fabio Zarpellon*Chief Financial Officer, Electrolux Professional AB*

A

Thank you for the question. First of all, two part of the question. In quarter three last year, currency had really a minor impact on the profitability, whilst the major impact was this year in particular in quarter three this year due to the weakening of the SEK versus I would say most of the currency. I was bringing a couple of example earlier related to our production facility in Sweden. We produced here a large portion of our Laundry business, but we buy raw material and component with a euro-based pricing, meaning that what we buy in Sweden and outside Sweden based on euro is going to cost in SEK equivalent much more. So what we manufacture in Sweden and

we sell in Sweden, you know that Sweden is an important market for the Laundry business, has a significant negative impact related to the currency.

The second example of us bringing today as the major offender is the strengthening of the Thai baht versus euro and versus SEK as a reference currency. Also here, the increase has been significantly year-over-year. And in Thailand we have a larger production facility that is serving both the Laundry part of the product portfolio and the Beverage part of the product portfolio. So despite the good activity that we are doing there in the plant to continue to reduce the product cost. The strengthening of the Thai baht has been a negative offender on the profitability.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

But just perhaps I'm just not getting it. But I mean, share of sales from Laundry in Sweden must be single digits, right? And I assume that the cost benefits from [ph] having (00:33:00) production in a lower weaker currency country and pricing mainly in other currencies would be a net positive, right. Although that the gross impact from the transaction might be negative. But as a whole, it must be positive, right or am I getting it wrong?

Fabio Zarpellon

Chief Financial Officer, Electrolux Professional AB

A

It was not. It was not. It was not for the full year. And in particular, it was not in the quarter. So there was an acceleration of the currency impact in quarter three.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

And by the way, Sweden domestic market is the second largest [ph] our (00:33:35) Laundry market after United States. Even if the market in itself is smaller than many other market. For us, the Laundry market, the Laundry Swedish market is the second largest – we have a 70-plus percent market share in Sweden, is super high market share. So very important presence. And by the way, the famous shift of volume from second quarter to the third and fourth quarter was also with a large percentage exactly in the Nordic region.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Okay. Yeah. No, I thought it was like 17% maybe. But then – and then you had a comment on the reps in North America. I think historically there's been discussions on whether or not you have been able to attract the most efficient reps in America given your size there. But could you just go in a little bit on what has happened. Have you lost reps in America? What has happened?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

We had to change reps, yes. We are talking about mainly the reps of the legacy of the let me say, non-UB business. Some of them left us. Some other have been also terminated to have an improvement. So when we change rep, there is a disruption, no question, because you have to train the new reps, you have to have the product installed in their facilities for the demo centers. We cannot neglect that, we had to work, we had internal and external trouble during the integration. And this was mainly limited to the summer I would say pre-summer after summer period. So these are things that we are and we will address obviously including staffing, training, support also from central functions. So currently we have let me say the coverage with the reps is done is okay. So we don't have a problem on that side, but we have been going through many changes during the past months.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

And is there any underlying reason to why the reps don't stick around? Or is it just ...

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

There has been some leaving us, some leaving us. They've been also forced by competition. You know that this is something that is happening. Remember that during the past month have been a lot of changes in United States also as a consequence of the merge of Ali and Welbilt. So they have been moved in the American market. So the representation that we had in particular with the Electrolux rep. So the former let me say non-UB reps were such that some rep they left. [ph] They bought also uncertainty (00:36:46). I believe I said that my experience about integration with UB was very successful. And I have to say because we separated on time, we integrated on time. We deliver the plan that we were supposed to deliver. Then the recent months have been faced – we had to face some challenges related to the external reaction, uncertainty, what is going to happen, something like that. We said clearly that we were not intentionally merging the UB reps with Electrolux reps. This is what is happening, but evidently it was a level of uncertainty that didn't work well on the Electrolux, former Electrolux non-UB reps.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Okay. Yeah. That's helpful. And then if we could talk a little bit about the price pressure campaigns. Obviously, you have not been able to then offset the higher raw material prices with own price increases in Sweden in Laundry in the quarter. But as a general view, I guess price on components and raw materials are going down globally. Are you able to keep prices or are there any price pressures in the market? And are you planning to offset some of this FX headwind in Sweden specifically by introducing some type of price action?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

The answer is yes to both. And the meaning that yes, you saw that gross margin increased. The increase is related to the residual price increase, positive effect, and the increasingly positive effect of the reduction of the direct material. This is something that we saw in Q3, particularly the material it is what we started to see becoming significant in Q3 and it will continue in Q4. So the gross margin is improving. The other part of the question is about specifically referring to the Swedish market. And in this case, I'm specifically referring mainly to food, where all the food products are produced outside Sweden and due to the weakening of the SEK, they are becoming more expensive and indeed we already planned and announced a price increase in the Swedish market for this product.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

And in general on a global scale, do you see any campaigns or price action from peers in response to sort of weakening market and lower input costs?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Okay. Campaigns are always there. Nothing really significant and nothing really related to the raw material or anything like that. So nothing that is worth to mention let me say than everybody is running some campaign. But

we are in these days promoting everyday [indiscernible] (00:39:57) and also because we have new features and in particular related to the washing system, the chemicals and the other stuff. But I will not – yeah, I'm mentioning this now because you asked, but otherwise it's not something [indiscernible] (00:40:13) .

Gustav Hagéus*Analyst, Skandinaviska Enskilda Banken AB*

Q

So there's no price pressure in the market?

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

A

I'm expecting that some pressure will come, particularly in the area where we are having a slowdown of the demand with the market, let me say or demand that is coming a little bit down there will be for sure pressure. I'm not expecting a price reduction. Eventually we will act with the specific actions case by case.

Gustav Hagéus*Analyst, Skandinaviska Enskilda Banken AB*

Q

And finally from me. You mentioned the cost actions that have already started and you referenced discretionary spend as part of it. But could you elaborate a little bit more on the phasing of these actions if you could give us indication of the size and if there are any one-offs that might occur as a consequence of this?

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

A

No, no. Look, we have – we had some one-off in particular. We had – size of the production capacity in the factory in Italy that is the largest and also the largest number of employee. The cost has been already taken, but they are minimal cost, that we are not even reporting as item affecting comparability. So I would call it the normal, the normal things that we have to do to keep productivity up and efficiency up. The cost actions that I'm taking, in addition to the one that I just mentioned about production capacity, are the one that normally you take when you see that margin is up and the fixed costs are still there with this slowing of demand. To be ready, let me say, in case of you take action on the discretionary spend. The discretionary spending is, I don't know, postponement of employment, reduction of travels. But it's not a travel ban. It's a reduction of travel that are not impacting the business. And whatever other cost that you can see in the day to day activities. We are not in a restructuring, if you want to say mode.

Gustav Hagéus*Analyst, Skandinaviska Enskilda Banken AB*

Q

Okay. Great. Thanks for answering all those questions. Those were all my questions.

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

A

Welcome.

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

A

Then we have a question from the web. Do you see the problems in the institutional business in the US as temporary and fixable? Is the chain business more projects heavy?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Okay. First answer about the institutional business. Yes, I see it as temporary. As I said, we had – we reestablished the network of reps. Some are new, some are the old one let me say. Some are by the way, the reps that are also representing Unified Brand (sic) [Unified Brands] (00:43:19). So it was not done on purpose, but it came, so we have a team that we have been training in September heavily to educate them. And most of them they also have demo places all around the country. So I'm – it will take time, a little bit of time, but I'm not expecting it will take so long. I think I already mentioned this happened during the financial crisis 2009 during the COVID crisis, two, three years ago. United State is as a characteristic this market is going down quickly, but it comes up very quickly too. So it is temporary what is happening, absolutely yes.

Jacob Broberg

Chief Communication & Investor Relations Officer, Electrolux Professional AB

A

Then there is a question I think to Fabio. How was the SEK 40 million EBITA impact, the currency transaction impact split between divisions? And what are you doing to reduce that negative impact going forward?

Fabio Zarpellon

Chief Financial Officer, Electrolux Professional AB

A

So when we look into the SEK 40 million that we reported in the quarter, I will say it has been fairly equally split between the two reportable segments, Food & Beverage and Laundry. Clearly, the dynamic of the currency of the two reportable segment may be different, but the underlying two major factor that I mentioned earlier, the weakening of the SEK overall and the strengthening of the Thai baht is the major offender.

Let me spend a few words on the pricing. Alberto already anticipated measure that we are putting in place on price. But I would like really to remind you all that what we did on price in the last couple of years. If you remember, first we had the increase of raw material and component cost. Secondly, we had in particular end of last year and this year, the increase of labor cost. The good strength of this organization of Electrolux Professional is that we are really good in recovering. We have price, the inflationary item. We have proved it all along in the past, but also in particular in the recent years, 2022 and 2023 we have a good and disciplined price execution. These development of the currency we cannot predict how it will look like going forward. But clearly, as we anticipated, Alberto, we are putting in place market by market the necessary action to compensate this negative impact.

Jacob Broberg

Chief Communication & Investor Relations Officer, Electrolux Professional AB

A

Thank you. I leave it for the operator again.

Operator: [Operator Instructions] Gentlemen, so far there are no more questions. Back to you for closing comments.

Jacob Broberg

Chief Communication & Investor Relations Officer, Electrolux Professional AB

Okay. Thank you very much. I say thank you for today and have a good day and speak to you next time. Thank you and goodbye.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Thank you. Bye.

Fabio Zarpellon

Chief Financial Officer, Electrolux Professional AB

Thank you. Bye.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2023 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.