

Transcript of comments to outlook slides in Q4-2023 earnings call

Below follows a transcript from the Q4 2023 earnings call held on February 2, 2024, covering the two slides “Market outlook FY 2024 per region” and “Electrolux business outlook” presented by Jonas Samuelson (“JS”).

Market Outlook FY 2024

Market outlook FY 2024 per region



Electrolux estimates for industry shipments of core appliances, units year-over-year.
Latin America includes the ABC countries, Asia-Pacific includes ANZ and SEA.
Note: Market outlook assumes no significant additional impact from the global geopolitical situation. Presented Feb 2, 2024.

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JS: Looking into the beginning of 2024, weak consumer sentiment is anticipated to continue with consumers shifting to lower price points and postponing purchases in discretionary categories. Forced replacement is expected to continue to be the main demand driver. However, as inflationary pressure is subsiding and interest rates are expected to come down, we expect demand in major markets to stabilize in the course of the year. As interest rates come down, this is positive for remodeling and new construction, which are key drivers for appliance demand in mature markets like Europe and North America. However, there is always a lag before this shows in demand. Demand for core appliances in 2024 full-year is therefore expected to be relatively neutral for all major regions compared to 2023.

Electrolux business outlook



Business Outlook ¹ y-o-y	FY 2024	Comments
Volume/price/mix ²	Negative	Driven by price, partly offset by growth in focus categories.
Investments in consumer experience innovation and marketing ³	Positive SEK 4-5bn, combined	Benefits from the expanded Group-wide cost reduction and North America turnaround program. Benefits weighted towards second half of 2024
Cost efficiency ⁴		
External factors ⁵	Positive	Primarily driven by lower raw material costs.
Capex	SEK 5-6bn	

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

JS: Organic contribution from volume, price and mix combined for the Group is expected to be negative in 2024 full-year driven by negative price. This as the new price levels established at the end of 2023 in the market are assessed to remain in 2024. Looking at the phasing of this impact from negative price, we expect most of this to impact the first half of the year and especially the first quarter. This as we last year benefitted from list price increases in that part of the year.

For the full-year, the negative price is anticipated to be partially offset by growth in our focus categories such as premium laundry and kitchen products under our main brands Electrolux, AEG and Frigidaire. The recent investments in new product architectures provides us with a great platform to drive growth in these focus categories going forward, even if a challenging macro environment with more consumers shifting to lower price points and demand driven to a larger extent by forced replacement is, however, a limiting factor.

We expect External factors to be positive for the year, mainly driven by lower raw material costs. Normally we have a lag impacting the first quarter as raw material procured at last year's rate is consumed in the beginning of the year. As we enter 2024 with significantly lower inventories of supplies compared to last year, we expect this lag to be much smaller this year. As mentioned, External factors also comprise the net effect of currency development including pricing adjustments in Argentina.

As outlined previously, we are implementing aggressive additional cost reduction activities with the objective to generate total positive year-over-year earnings impact of SEK 4-5bn from Cost efficiency and investments in innovation and marketing combined in 2024. However, in light of the Red Sea situation there is however a degree of uncertainty related to ocean freight costs. The cost-reduction activities implemented will primarily contribute to earnings during the second half of 2024. Given the time lag before the actions will have full earnings impact, we do not expect sequential improvement of underlying operating income in the first quarter.

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

Factors affecting forward-looking statements

This transcript contains “forward-looking” statements presented in the Q4 2023 interim report and earnings call held on February 2, 2023, that reflect the company’s current expectations. Although the company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations prove to have been correct as they are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors.

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

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