

Electrolux Group steps-up cost reductions and organizational simplifications

Against the background of continued weak consumer demand and competitive pressure in the market, Electrolux Group is stepping up its cost reduction efforts to restore margins. The actions are expected to result in net cost savings of SEK 10-11bn in 2024 vs 2022, compared to the previous cost reduction target of over SEK 7bn, and lead to a restructuring charge of SEK 2-2.5bn in the fourth quarter of 2023. The Group will reorganize into three regional business areas and two global product lines reporting to the CEO, leveraging the Group's global scale with fewer layers, resulting in increased focus and reduced costs.

As communicated in connection to the Q2-2023 report, given the challenging macro environment, an evaluation of further structural simplification and complexity reductions has been initiated. Weak market demand with consumers mixing down to lower price-points has been accompanied by increasing price pressure in most markets globally, particularly impacting North America. This has been enabled by the resolution of post pandemic supply-chain constraints, significantly lower freight rates, a strong US dollar vs. Asian currencies and large cost inflation discrepancies between Europe and North America on one hand and in certain parts of Asia on the other, resulting in high promotional activity with increased pressure on margins.

To restore margins and return to profitable growth through accelerated execution of the strategy to deliver innovative and sustainable digital consumer experience solutions, Electrolux Group is increasing its focus to grow profitably in selected mid- and premium categories with its main brands, while driving even more targeted portfolio management. The strategy to drive high efficiency and productivity and the efforts to significantly reduce product and SG&A cost are intensified. The ongoing substantial cost reduction progress, while ahead of plan, is not sufficient to restore margins given the price pressure from input cost discrepancies. Further simplification, delayering and streamlining of the organization are required.

“We are therefore accelerating structural cost reductions and execution of product cost measures. Hence, the cost reduction target for 2024 vs 2022 is increased to SEK 10-11bn, compared to the previous target of over SEK 7bn. The new target comprises net cost reductions from Cost efficiency and Investments in innovation and marketing, combined. For 2023 the target is to reach cost reductions of approximately SEK 6bn, year-over-year, compared to the previous target of at least SEK 5bn”, says President & CEO Jonas Samuelson.

“We remain committed to achieve at least 6% EBIT margin mid-term. In addition to an attractive offering driving commercial growth in targeted areas, a key component to deliver on this under current market conditions will be to continue to annually reduce product cost at a similar rate as during the period 2023-2024. This is enabled by a new, more focused business approach and simplified organizational structure.”

The new organizational setup is expected to affect approximately 3,000 positions, resulting in a restructuring charge in the fourth quarter of 2023 of SEK 2-2.5bn, which will be reported as a non-recurring item.

In addition to the new organizational structure, a key earnings contributor will be lower product costs. During the past years, the Group has developed multiple competitive new modular product architectures delivering leading consumer experience innovation. The focus will now shift to manufacturing productivity and material cost reduction through intensified sourcing and cost engineering initiatives. The new product line setup will enable faster execution of product cost savings.

Electrolux Group is a leading global appliance company that has shaped living for the better for more than 100 years. We reinvent taste, care and wellbeing experiences for millions of people, always striving to be at the forefront of sustainability in society through our solutions and operations. Under our group of leading appliance brands, including Electrolux, AEG and Frigidaire, we sell approximately 60 million household products in around 120 markets every year. In 2022 Electrolux Group had sales of SEK 135 billion and employed 51,000 people around the world. For more information go to www.electroluxgroup.com.

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New, simplified organization

The new organization will consist of two global product lines, three regional business areas, and four global functions, all reporting to the CEO.

The two product lines will have the global, end-to-end responsibility to prioritize the growing and profitable product categories where Electrolux Group will focus its business and investments, leveraging global scale with speed and lower cost. Dan Arler has been appointed Head of Product Line Taste and Ian Banes has been appointed Head of Product Line Care.

To further leverage product and brand synergies between Europe and Asia-Pacific, Middle East & Africa, and to adapt the organization to the upcoming divestment of the operations in Egypt and South Africa, the current two Business Areas in the regions will form one Business Area under the leadership of Anna Ohlsson-Leijon, who will also be Group Executive Vice President, responsible for Group Consumer Direct Interaction development and Product Line Wellbeing. The other two Business Areas; North America, under the leadership of Ricardo Cons, and Latin America, Leandro Jasiocha, remain.

The four global functions are Operations under the leadership of Carsten Franke; Technology & Sustainability, Elena Breda; Finance, Legal & IT, Therese Friberg; and People & Communications, Lars Worsøe Petersen.

The new product line structure announced today will be effective as of November 1, 2023, and the new business area structure as of January 1, 2024. Electrolux Group will report on the new business area structure in the interim report for the first quarter of 2024. Proforma figures showing the performance of the merged business area Europe-APACMEA will be made available through a press release prior to the quarterly report.