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Electrolux Professional AB (EPRO.B.SE)

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MANAGEMENT DISCUSSION SECTION

Jacob Broberg

Chief Communication & Investor Relations Officer, Electrolux Professional AB

Good morning and welcome to Electrolux Professional Q2 Presentation. My name is Jacob Broberg. I'm heading Investor Relations. With me, I have Alberto Zanata, our CEO; and Fabio Zarpellon, the CFO. And as always, we start with Alberto. Please go ahead, Alberto.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Thank you, Jacob, and good morning to everybody. Highlight of the second quarter. So, the first one is that sales had a strong development, in particular in Food & Beverage, while the Laundry business was somewhat flat. Secondly, the profitability, the EBITA that, without item affecting comparability, is back to the pre-COVID level in value, with the Food & Beverage again improving compared to last year, compared to the previous quarter; while Laundry was below last year and our expectation, but still above the 10% threshold.

So, the third highlight is clearly related to what I just said about sales and EBITA and profitability. We clearly had some problem in Laundry, and the problem to have Laundry performing sales and profitability below our expectation are related to the missing component. The missing component clearly determined missing productions. So, sales were flat, as we said, but they are not lost sales. And they are sales that had shifted to the third quarter or, latest, the beginning of Q4. So, it is not a loss of business.

The fourth highlight is the Russian operation. We completed the closure of our operation in Russia, divesting the business with a solution that is, in any case, giving the possibility to safeguard our people, that obviously we care and they have been loyal employees along the years. The cash flow was positive but below last year. And the

main reason of having the cash flow below last year is the increased inventory. We will comment that one, but it's still related to the Laundry business.

Other highlights of the quarter are the order intake that is still on a good level. In the month of June was below last year. I remember that in June last year we had the peak of orders because of the announced price increase in July. But the order intake is still on a good level. The same of May. And on the same level of the pre-COVID period. This is despite the concern that we have about the possible coming inflation, incoming recession. It seems that at least for what we can see from the order flow, this is not the case in this industry.

The other important thing is that, during the quarter, the gap between price and material cost was closed. Last highlight is that the supply chains for components that was so negatively affecting the Laundry business in Q2 is clearly improving. We improved since the beginning of June, since the lockdown in China was lifted, and we restarted to receive the electronic components.

We are now producing and, already in July, sales of Laundry are significantly growing. An example of the recovery that we are running is the fact that all the machine that we pre-produced without components to avoid to lose or to create additional delays in the delivery to the customer and the ship, for instance, to the US [indiscernible] (00:04:39) in the US are fully recovered. That's fully reworked.

If we look at the market, market is clearly up the 2019 level, I would say, if not all, most of the markets, most of the regions. You see that also the Middle East and Africa and Asia markets are now growing compared to last year. Project business is back. That is typically the business we are having in that region. The only market that is in the different direction is China. The lockdown in China during the month of May was significantly impacting the business, the market, and the demand.

We think that this development – I would like to highlight that now the business in North America, the one that is showed here is the organic growth on top of this one, we have to add also the development of the sales of Unified Brand (sic) [Brands] (00:05:53), so the acquired business that is part of Electrolux Professional since December last year. So, sales in North America are now more than a fourth of our total business. So, we are significantly rebalancing our geographical exposure to the different markets.

Entering the detail of the two segment and starting from Food & Beverage, we said that Food & Beverage grew all over the regions excluding China. Project business restarted. A year ago, it was basically only replacement. Now, we have the project business restarted and restarted also in important region like Middle East and Africa and like Southeast Asia.

The separation of Unified Brand (sic) [Brands] (00:06:51) was completed without business disruption. On the opposite, the Unified Brand (sic) [Brands] (00:06:58) contributed positively and above the average of the company to both the net sales and the profitability. Now the organization in North America is in place, we created a business [indiscernible] (00:07:18) Americas, and the integration projects are already started and we are expecting clearly benefit from these activities.

Profitability and value is basically doubled of what it was last year, it's improving and as we've said, improving also versus – constantly improving also versus the previous month. In Food & Beverage, the gap between raw material and price was completely covered, and being even positive.

If we go to Laundry, I already mentioned that Laundry was the subject at the point of attention in the second quarter. Sales were basically flat, growing in North America, in the Asia-Pac, and Middle East/Africa, but slightly

declining in Europe. And this is because we have not been able to invoice as we could have. And we didn't invoice because we missed components.

We took actions. And I still believe that, that have been good decisions. We took actions, accelerating the double-sourcing of all the supplier. And now, I would say that these activities basically completed. And we took action also pre-producing product without the missing component. So, the decision was to significantly increase the work-in-process inventory, of product that were not sellable because uncompleted. Some of them had been also shipped to the United States, as I told you. And the rework of the product in United States is already completed. But this was done because we knew that when the component would become available, we could have increased significantly the output of the factory.

This is what is happening now, because the worst is behind us. And we're working – we continue to do it in the coming weeks, also during the summer period that typically is a low period in terms of production output and volumes. And we believe that the work activities will end to the end of Q3, beginning of Q4. So, as I said at the beginning, these are not lost sales but is a shift of sales from Q2 to the following months.

The profitability was clearly impacted by the missing volume, but also by the fact that the gap between price and material was not covered in Laundry. And the reason of not having covered the gap in Laundry are basically two. One is because Laundry is lower in term of dynamics because we have long-term contracts with customers, with the institution, with distributors, and so on; but also because another activity that we put in place to try to mitigate the missing component was to buy this component in the spot market. Clearly, paying them more than what we are supposed to pay.

With this said, I would like Fabio going into the detail of the financials. Please, Fabio.

Fabio Zarpellon

Chief Financial Officer, Electrolux Professional AB

Thank you, Alberto, and good morning to everybody. Since the quarter two of last year, with the market recovery, Professional was able to increase both the top line and the EBITA quarter-on-quarter compared with the previous year. As you heard from Alberto, EBITA in the quarter without of the SEK 35 million cost that we booked for the divestment of the Russian business and that we reported as item affecting comparability, was close to SEK 270 million, with a plus 36%, or SEK 70 million more than the quarter two of last year. To be reported [indiscernible] (00:11:53) it has been the highest quarter since quarter two 2019. So, the highest quarter since, I would say, even earlier than the pre-pandemic time.

Volume growth in Food & Beverage organically, the contribution from the recent acquisition of Unified Brands, but I will say also the good development that we continue to see in the customer care were the major driver of the EBITA increase. As you heard from Alberto, the behavior of the segment was different. The segment contributed differently to the quarterly EBITA improvement.

Food & Beverage EBITA including Unified Brands added on SEK 100 million in EBITA. Margin was 10.8%. I would say, the best performance of the recent quarters. Laundry EBITA show a decrease of SEK 60 million. Margin was still solid, 12.9%, but, as Alberto mentioned, heavily affected by the disruption on the supply chains and the gap between price and cost. Group common cost increased in the quarter, roughly SEK 40 million, and this is mainly due to higher employment cost.

When reading through the P&L, we have reported a decline on gross margin of 1.4 percentage point, down to 32.9%. Also here, when looking into such a development, clearly it has been negatively affected by the fact that

our high profitable Laundry business was flattish in term of sales in the quarter. So, we faced somehow [ph] a sort of mix down in our businesses perform in (00:13:54) the quarter.

The announced price increase, including the additional surcharges that we've put in place since May as well has been well-executed. And that's [indiscernible] (00:14:10) reported, in Food & Beverage, we were able more than covered the price in the increase of raw material and components; whilst in Laundry, because also the cost increase was larger and we have some long-term contact with some large customers, we still reported a negative net of SEK 30 million.

Still in gross profit, factory productivity, mainly in Laundry, was also affected by component shortages. And we lost somehow productivity in the quarter because of the disruption that the supply chain created in the production flows. Transportation cost, and this is not specific for Laundry, but also for Food & Beverage, increased year-over-year. When it comes to the SG&A development, we increased SG&A in the quarter because we continue our investment in innovation and digitalization of the group, but the weight on sales is now reduced to 24%, roughly 1 point below the same quarter of last year. We have not received, in the quarter, any government subsidies compared to roughly SEK 10 million we benefit in quarter two last year.

When it comes to operating working capital, operating working capital was SEK 1.9 billion, close to plus 50%, compared with the same period last year, compared to June last year. To be said that, here, we have, let me say, three major components behind that such increase. One is, let me say, non-business-related, a large impact from currency translation. The second is we have add on Unified Brand (sic) [Brands] (00:16:22) business. But the third, we have had also an increased requirement operating working capital because the business has been growing that's organically over 15%.

I would like to spend a few words about the development of the inventory. The reasons of development of inventory at being exactly the same on the overall operating working capital, but I would like also to bring to the attention the specific situation that has been commented by Alberto, regarding the fact that we have an increased amount of machine uncompleted in the Laundry operations. Plans now are in place and, as Alberto anticipated, we expect to recover the situation by – in quarter three beginning on quarter four, meaning to bring down the inventory level to a more normalized level already from quarter four onwards.

Overall, despite these, the operating working capital as a percentage on sales remains at good level at 14.6%, that is below in our financial target. After the acquisition of Unified Brands, the dividend payment that we made in May, our financial position anyway remain pretty solid with the ratio of net debt on EBITDA at 2. At the end of June, we have a liquid fund for SEK 600 million and a revolving credit facility of €81 million; meaning, we are fully equipped to support the development of this group.

Operational cash flow was SEK 88 million in the quarter. As anticipated by Alberto, the cash generation was negatively affected in particular by the development of operating working capital, and particular in the operating working capital about the inventory [ph] increase (00:18:54). As anticipated, we expect that the inventory situation to restart to come to a normalized level already in quarter four of this year. On the receivables side, happy to report that despite the increase coming from the growth of the business, the quality of our receivable continue to improve.

Yes, we had overall a weak cash flow generation not only in quarter two, but I would say, overall in the first part of the year; but I believe that with the action we have in place, we have the ingredient and the condition to deliver a pretty solid cash flow in the second part of the year. And last but not least, our balance sheet remains strong, and fully equipped and adequate to support the development of the business going forward.

And with that, back to you, Alberto.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Thank you, Fabio. And move on to other major things happening during the quarter. The main one is the decision and the execution of this decision to divest our operation in Russia. Considering the current situation, it was impossible to continue to run operation in Russia, and we took the decision to sell our operation to local management. In Russia, we had 25 employees and approximately 1% of the group sales, even if this 1% was including also business outside Russia that we will continue to manage from different locations. The activity was completed and, during the quarter, we consider in the quarter the costs to close these operations in the range of SEK 35 million.

During the quarter, we also introduced a new product, and this is what is coming from Unified Brand (sic) [Brands] (00:21:17) from the acquisition of this company in the United States, where they – this is a company with 50% of the business in chains. It's a company that clearly has dedicated resources to develop, dedicated product, specific product for chain business. This is a typical product. It is a single operations that is dedicated to clearly pizza chain companies, it's a well-performing product, very successful product.

The good thing is that with this product and now having a unique team, because we already integrated the chain team in North America where they are approaching the customer with only one boy, so one face, providing the customer with one point of contact at multiple solution that can clearly serve and provide different product to these customers. It is an opportunity. Sales to chains are growing, are growing more than the overall sales to institutional. It's one of our strategic pillar, and we believe with these activities we are effectively addressing these needs to improve our business and our profitability.

The second case that I want to bring to your attention is the launch of a service package. So, normally we are used to introduce on the market products. This is one of the first time where we introduce to the market not a product, but a service package. I believe that more and more innovation will come from digital solution and service, so complementary product that we are offering to the market. And with product, again, I don't necessarily mean the appliance in itself, but what is all around the appliance.

In this case, we are providing a total solution, a complete solution that is including everything that is needed to operate a laundry operation. This is part, again, of our strategy what we call Essentia service program. And the goodness of these activities is confirmed by the fact that, also in Q2, sales of customer care were growing more than the sales of the product.

I'll take also the opportunity to announce that we decided to have an Investor Day in November, coming November, the 14 and 15. Additional information will come from Jacob. The place will be in Europe in the Pordenone facility. That is the largest food factory that we have, and one of the largest food site in the world in this industry, but it will be dedicated to the America Food & Beverage business.

I believe it is important that we give you the possibility to have a deep dive on the America Food & Beverage business, understanding better the characteristic not only of Unified Brand (sic) [Brands] (00:25:06) as such, but I would say on that time the characteristic of the Food & Beverage business area Americas. Because at that time, I'm pretty sure that the new organization will be fully operational and we will also start to see the projects that we are running to bring value, to create value after having acquired the Unified Brand (sic) [Brands] (00:25:36).

With this said, I would like to summarize a key point of the quarter. So strong sales in particular in Food & Beverage; below expectation in Laundry, but with a clear explanation and they are not lost sales, but they are sales that shifted to the following months. EBITA, excluding item affecting comparability, on the pre-COVID level, with a significant growth compared to the previous quarter and last year. EBITA still negatively affected by the gap between price and raw material in Laundry, while this gap was completely covered in Food & Beverage.

All in all, we expected that the situation of material will improve. We already see this happening these days. And, as a consequence, we believe that also in Laundry the gap between material and price will become positive starting from the coming quarter. The operation in Russia were divested without business disruption and without a significant impact or material impact on the group profitability.

Looking at the order intake, as I said, it is still on a good level even if lower than what it was in June last year. But it's still on a good level, the level of May, the level of pre-COVID. And the order stock in particular, in Laundry where we have an order stock that is double than what it was last year, it is still good and is giving us confidence that in Q3 we should have a good invoicing.

With this said, I would turn to you, Jacob.

Jacob Broberg

Chief Communication & Investor Relations Officer, Electrolux Professional AB

Thank you. That means that we open up for questions. Please go ahead, operator.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] The first question is from Gustav Hagéus from SEB. Please go ahead.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Thank you, operator. Good morning, guys. I have a few questions, if I may. Firstly, looking at the price spread between raw materials and your own pricing, which you are very helpful in providing each quarter, and now turning positive. Could you shed some light a little bit on sort of hedging? And if it's a reasonable assumption to assume that this will swing to a similar impact positively as we've seen negatively for the past three quarters going forward, given where steel prices and so forth, have been trending for the past half year?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

What we are currently doing – again, first, the gap between price and material, as we already said in the past, is turning positive – is going to turn – we expect to see becoming positive in Q3 and in Q4. We are not fixing price of material yet because the situation is improving, but it's not good yet; in the meaning that we see, for instance, that the steel price trending down, but for instance, the price of electronics is trending up.

So, in this moment – because this is the period typically where do you negotiate the price of the contract and the price of the material also for the coming year, but we are in a situation where steel manufacturers are confirming

the current level of price while the expectation is to have a lower one. So, still pretty much uncertain situation that is not giving us the possibility to fix price for the next year.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Okay. And if input prices continue to come down though, will you think you will prioritize to maintain the price levels that you have, or do you think there's also a chance to optimize market share by adjusting price downward? And if you could shed some light on how you believe the competitors will be acting in such an environment, too, that'd be helpful.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Yes. So, first, in May, as also Fabio mentioned, instead of having an additional price increase on top of the one that was applied January 1st, we applied a surcharge; and the surcharge had two characteristics. The first one, to be effective immediately, so to give us the possibility to reduce typically the lag between the announcement and the effectiveness of the increase. And the second one is that is temporary; in the meaning that the surcharge will be over November this year.

Right now, we are all looking – we launch price project in basically all our product categories to review exactly the situation, to make sure that we make use of this – we'll use this opportunity to also review the position in some areas. So, I'm not in the condition right now to say what we are doing, even less to say what competitors will do. But I'm expecting that price in general will be reviewed typically during these two months.

The situation was so crazy that not only us but most of the company, they just applied plus XY every four, five, six months. And the reality is that not all the product increased equally, not in all geography. And as a consequence, this is giving us the possibility to really run a proper price review project that we intend to do during the late part of the summer, beginning of the fall, to prepare the 2023 prices.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Okay. That's helpful. Thanks. And lastly, so [ph] we've always seen now (00:32:59) your order book and growth has been very good for the past few quarters, while we see record low consumer confidence in most of your key markets. So, what's your experience in terms of when that consumer confidence spreads to [indiscernible] (00:33:15), and then the lag from that to where it could possibly be materialized in your orders, in your market? Where do you expect the lead here, lead time to be?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Yes. So first, the order stock, it is very good, it is very strong; but it was extremely high, even too high in the meaning that the lead time in some cases was longer than what normally expected. This long lead time was also generated by the component shortages that were affecting this industry, not only us, but this industry since the beginning of the year. Situation are getting better and there's also the level of service is getting better. And the order of stock is still stronger but going into the normal level.

This is mainly in Food & Beverage because clearly, but I don't have to repeat the comment, in Laundry the order stock is super high because of what happened during the second quarter. But we are expecting that we will be able to bring it to normal level at the end of Q3. [ph] The think (00:34:50), and again, it is matter of discussion

internally is the fact that the order intake is still good. We are all expecting a decline. We are all concerned about the inflation, about the possible recession. We are keeping our eyes open clearly on the matter.

But for the time being, the collection of order is still good and it is still good all over the world. So, there is not one region doing better than another or one region doing worse than another, excluding China. So, it is a situation that is good and that at least, unless something strange happens during the coming months, I see the conditions better serve our customers [indiscernible] (00:35:43).

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Yeah. And just a follow-up and last question of mine. On that order book, specifically at Food & Beverage, could you confirm that sort of a normalized order book would perhaps be three months of sales or something for you? And, secondly, what's the integrity of that order book? If a client has double booked or decides for some other reason that they do not want to proceed, is there any commitment, hard commitment, to those orders being put; or can they get out without really having any repercussions?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Sorry, I didn't understand the second part. Are you asking if the customer can get out?

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Is there anything – what's the – yeah. What's the integrity of that order book? Is it hard orders, or can a customer of yours cancel the order at any time without trying...

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Okay. Yeah. Yeah.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

...to pay a fee or something like that?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Yes. Yes. Yes. So first, there is not a straight answer to this question. The first line is that the normal order book is not three months. It's shorter than that in value. Then there are orders that are back in three months or even longer than that, if they are projects or other things. But in value, typically in the normalized business we have 1.5 months. That's what I would consider normal in term of order stock.

The second one is that in the order stock, both of the one that we have today, but also the one that we normally have, we have orders where we have down payment. This is typically done for the project, this is typically done product that have customization, or other things like that.

Secondly, we have also orders are received from chains, in particular in the US. Fabio was mentioning the fact that the inventory is pretty high. Part of this inventory is the inventory that we have in the US. In the US, we have

a pretty large stock of Food & Beverage product that are there because ordered by chains and in some cases even prepaid. And then we stock them because they are going to have the rollout during the coming months.

So, I would say that typically what we have in order stock rarely get cancelled. Even during the pandemic, if you remember, one of the index that we were following was the number of order cancellation, and it was very low during the pandemic. We are not expecting to have anything different during the coming months. Also because, I repeat, from what we can see, the business of our customer is going pretty well.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Yeah. Okay. I appreciate all those answers. Thank you, guys.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Thank you.

Operator: [Operator Instructions]

Jacob Broberg

Chief Communication & Investor Relations Officer, Electrolux Professional AB

A

Hi. I have one question from the Web here. It's Stefan Stjernholm of Nordea who asks, can you give a rough figure for how much of sales within Laundry that have been postponed to Q3 due to chip shortages? Price gap [indiscernible] (00:39:31) higher raw material cost at SEK 100 million in the first half of the year. And if I remember right, you earlier have guided for a flat or even small positive price for a full year 2020 (sic) [2022] (00:39:42) Is this still valid? So, how much have moved from Q2 to Q3, and is the positive price gap still valid?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Okay. The answer to the first question is that we don't have a number for that. We don't have it, also because we had a pretty painful activity during the quarter to try to prioritize the customers that were really in the need of the product to avoid to lose them. It has been an extremely good job done by our people, but it was painful also in terms of efficiency in the factory and productivity. But we don't have a number of how many sales we moved from Q2 to Q3. While the answer to the second question about the gap from price and material, we confirm what we said.

Jacob Broberg

Chief Communication & Investor Relations Officer, Electrolux Professional AB

A

Operator, please?

Operator: The next question is from Rinta Kari from Handelsbanken. Please go ahead.

Karri Rinta

Analyst, Svenska Handelsbanken AB

Q

Yeah. Hi. Good morning. Thanks for taking my question. A few. Firstly, on the Laundry, and I think that you have partially answered it, but I might have missed it. But first the geographical growth difference. Just good growth in

the US and in Asia, and then flattish in Europe. Is that all about the prioritization that you talked about, or is there anything – does it say anything about the underlying demand?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

You mean that for Laundry, I can imagine, yes? Right?

A

Karri Rinta

Analyst, Svenska Handelsbanken AB

Yes, for Laundry.

Q

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Yeah. It was a matter of management of priority, yes, first. Secondly, also because of the time between the invoicing and the receiving of the product. Remember also this one. In the meaning that in particular in Asia, the product that we invoice to the customer in Asia were already there because we had to produce them before, for instance, the lockdown in China. So, it is both a timing issue and a term of priority. This was the reason why, for instance, in the US, we decided also to have a product shipped to the US without the electronic card in order to recover them later on. Because, otherwise, this timing age would have affected negatively Q3. And it will not because, as I said, we already completed the recovery of all the product that we had in the US.

A

Karri Rinta

Analyst, Svenska Handelsbanken AB

All right. That's helpful. Then these long-term contracts that you have in Laundry, can you share a rough estimate of which part of how much of your sales are locked into – or maybe not locked into, but are in this long-term contract?

Q

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

No. But again, these are the contract – the Laundry business – a big portion of our Laundry businesses is with some countries and with some customer typology. Like, for instance, the institutional customers in Scandinavia. All these customer are slower obviously to adapt to different price level. So, these are the situation where – I'm not saying that we are not getting and indeed I believe in Q3, also Laundry, we'll close the gap between price and material, but it take longer.

A

Then, we have also to understand that the missing sales that we had in Q2, they were obviously sales with a better price, with a higher price because they were the newest one. So, also in this case, time was affecting this element of the – yeah, this element of the business. As I said during the quarter, we also decided to buy on the market, paying much more to make sure that we were able to get some components to prioritize some customers.

Karri Rinta

Analyst, Svenska Handelsbanken AB

All right. Understood. Then a follow-up on that. I think you mentioned in a previous comment that these past few months have been crazy, and I think you were referring to that sort of component – or partly at least to the component availability. And now you seem confident and you say that you have already seen an improvement. So, was this about one particular supplier or one particular shipment that sort of was delayed in the second

Q

quarter and has now been resolved; or, sort of, what has led to this clear improvement already now in component availability?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Yes. Yes. So, let's say that during the first quarter, so the winter time, the situation was crazy, as you described it. In the meaning that, more or less, every supplier had delays. But we were able to manage and they were relatively short in term of time. The big problem that we had in Q2 and the big problem that affected Laundry was the lockdown in China.

In China, when they had the lockdown – and it was a very long lockdown, was not expected to be so long – that lockdown, the supplier of electronic cards, electronic boards, was closed. So, we did not receive product from this one. So, we had the possibility to finish, obviously, products during the first part of the month because we had the component in-house, but then we were not able to complete the product. That supplier is the supplier that is providing product to the Ljungby and the Rayong factory, the two large factory that we have in Laundry.

Let's say that, luckily, the missing component, the missing electronic card, gave us the possibility in any case to complete the product, because in any case there's a possibility to build a product or to test the product, to pack the product, because the electronic card is a component that you can replace even in the field if you want. Because when the electronic card is broken, the service agent is able to replace the product in the field without requiring a testing in the factory.

That was the only positive part of a very serious situation that was affecting us for a pretty long period of time. So, it was very specific. It was because of something extraordinary that happened in China. And that is the reason that was affecting or creating this problem in the Laundry business.

Karri Rinta

Analyst, Svenska Handelsbanken AB

Q

Perfect. That's very helpful. Then, just two quick ones, growth in aftermarket sales was at higher than your overall sales. And then just wanted to confirm the comment the Unified Brands. Did you say that Unified Brands had higher margins than your average Food & Beverage margins in the second quarter?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Yes, to both questions, yes.

Karri Rinta

Analyst, Svenska Handelsbanken AB

Q

Okay. Thank you. Those were my questions.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Welcome.

Operator: The next question is from Johan Eliason from Kepler Cheuvreux. Please go ahead.

Johan Eliason

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. Hi. It's Johan. I was just wondering about a bit of a clarification. You said something about the order intake recently. I think you said the June order intake was below last year's level, but in line with that of the previous month. Was that on group or a specific division [indiscernible] (00:48:26)...

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

No, no, no. It was at group level.

Johan Eliason

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. And how is July looking versus July last year?

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

July just started. So, I would not look at that one, but it seems along the trend of June.

Johan Eliason

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. Thank you very much.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

A

Welcome.

Johan Eliason

Analyst, Kepler Cheuvreux SA (Sweden)

Q

That was all the clarification I needed.

Operator: There are no more questions from the phone.

Jacob Broberg

Chief Communication & Investor Relations Officer, Electrolux Professional AB

Okay. Then we say thank you for today and speak to you next time. Have a good rest of the Friday and a good weekend when it comes. Thank you and good-bye.

Alberto Zanata

President & Chief Executive Officer, Electrolux Professional AB

Thank you. Bye.

Fabio Zarpellon

Chief Financial Officer, Electrolux Professional AB

Thank you. Bye.

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