NIBE

TRANSCRIPT FROM INVESTOR- AND ANALYSTCALL FOLLOWING THE END-YEAR REPORT, 2024

Friday, November 14, 2025

00:00:01 - 00:00:04
Gerteric Lindquist: Thank you very much. Good morning, everyone out there.

00:00:04 - 00:00:05
Hans Backman: Good morning.

00:00:06 - 00:01:43
Gerteric Lindquist: We are going to follow the same procedure as usual. We have a number of slides that we're going to go through, and then we open up for questions. As usual, we have until noon. We would appreciate it if there would be only two questions per individual to allow as many as possible to put questions to us. With that said, let's dive into the first slide, which is very much a summary of what you've seen in a report. It's a year characterized by several challenges. We were hit with a very, very slow market at the beginning of the year. However, as the year has been rolling on, we've also seen clear signs of improvements. The market has not recovered, but we're looking at a combination of clear signs and still some cautiousness out there. The last quarter is confirming what we've said all along, as the year goes by, we're going to see a gradual improvement. The fourth quarter comes in fairly close to what we anticipated internally. It's been combat all year with the inventories out there. They were too big at the beginning of '24, and they've been digested over the years. That's been a little bit difficult to determine what is the demand at the end consumer level versus the production level or the producer's level.

00:01:43 - 00:03:22
Gerteric Lindquist: As we go by now, we're going to be more of a direct link between the end consumers and the production output. The action program has been the one very dominating during the internal months and quarters. We came out with an idea of some one billion and 95 and when we now summarize everything at the end of the year, we are up at 1152 million. Perhaps we shouldn't pat ourselves on the shoulder, but it was fairly accurate. The savings on a 12-month rolling month basis is slightly better than we anticipated in March, and April, when we lined everything up. Interest rates are falling, we started the fall here in Sweden before the summer holidays and continued. That is having an overall positive effect on the economy, whether they're going to continue to fall, it's very difficult to predict. That's up in the blue at the moment. Then we've had a positive impact from the revaluation of additional considerations. I'm sure we're going to come back to that. That's on 597 million and that's also a reflection of the difficult '24, which has affected the tranche two and three in many instances since we are not fully owners of a number of companies out there yet.

00:03:23 - 00:05:02
Gerteric Lindquist: Then we expect a gradual improvement in sales, we've seen that sales gradually have come closer and closer to what it was like a year ago. Now we foresee a slight improvement in sales going forward, which is not set only today. Our ambition is to be back at operating margin levels within the historical range. I'm sure we're going to get a number of questions regarding that. Just very quickly, the figures themselves for the quarter and the year. It's a quarter of like 11 billion in Swedish crowns with a margin adjusted for the one-off effects of 1.1 billion Swedish crowns and with a margin of 10.2. That's very important for us to just notice that we are back to a double-digit, at least one quarter here now. On the full year, it's like eight percent operating margin and a full revenue of some 40 billion crowns. That also gives us quite courage for the future. We must say that we would like to say, "Thank you very much to all employees." There has been a tremendous, should I say, effort on all employee's behalf to come out with results like this. We are motivated to move forward to improve the results and sales and demonstrate our strength.

00:05:02 - 00:06:32
Gerteric Lindquist: The typical bar is that we indicate they analyse the downturn in sales and when we come to the profitability, it's the same thing. The promising thing is that at least it's almost flattening out now on 12 rolling months. Looking at the profitability, we also see that it doesn't continue to dive as it did before, but rather comes to a break, and we are very determined to continue to encourage that break. If we look very quickly at each respective business area. The climate solution is very much a reflection of what we said initially here. The demand has been pretty good for the heat pumps, but the manufacturers, including ourselves, have not seen that because the inventories have been digested by the distribution chain. The exception might be Germany, but as we said in Q3, we expected that to be digested over the three coming quarters. Now we indicate that it's another quarter that should also be down at more acceptable levels. We also see it is promising that the applications, just particularly in Germany, are coming up to a healthy level again.

00:06:33 - 00:08:06
Gerteric Lindquist: When it comes to the commercial segment there, we see that it has a better resilience, and that's something we would like to address in the future, where we like to become stronger in that particular segment. However, it's not as vulnerable to interest rates as the Residential Side. Action Program fully implemented and full effect impact in '25. I'm sure we're going to come back to the details regarding that. Here again, the same thing, a gradual improvement in sales and trying to be back at our historical level when it comes to margins. We're going to show you some graphs of how it looked in the past. Coming back to that where Hans is presenting the numbers, more detail. Very quickly, therefore the full year is a drop of five billion crowns. We came out with a margin that is just south of 10 percent which is unusual for us, particularly when you have figures like '23 to compare with.

From now on, we are just very motivated to come back. If we look at the elements, they've had the same issues because they are affected not only by the heat pump industry but also by the White goods sector.

00:08:06 - 00:09:49
Gerteric Lindquist: They also have a time lag we can say that when inventories are built up the distribution chain, the manufacturers typically would have inventories built up, which means that they're going to come out of this crunch a little bit later. They are very positive signs in other sectors. The commercial vehicles and the semiconductors are motivating to be in that. The no construction is never a good sign, so that has a softening effect on not only elements but also climate solutions and stoves. Here also, a very determined attitude towards the action program. Everything is implemented and in full effect in '25. We also expect here that sales will gradually improve as '25 goes on. We see also in the coming slide here regarding sales that we've taken a hit. We've lost almost a billion in Swedish crowns. When you lose that amount of sales going from 11.9 to 11, then you're bound in the short term not only to lose both profit and actual numbers but also in margin. That's also something we're going to correct when next year or this year comes about.

00:09:50 - 00:10:52
Gerteric Lindquist: A quick look at stoves so I don't dwell too much before the questions come in. Hans was able to send his number of slides. It's pretty much a copy of the other two business areas. We can say that now we are back to a more seasonal pattern because stocks have always been very much seasonal. The second half year, in particular the third quarter. The second part of that and the fourth quarter have always been the strongest ones. We believe that we are now going back to that. We see that the fourth quarter is coming out in '24, in a relatively decent fashion. If we just have a quick look at that, it has taken a hit here. Also, we've lost quite a bit of sales from 4.7 to 3.8. Again, the resulting actual numbers are lower also the operating margin.

00:10:54 - 00:12:12
Gerteric Lindquist: At the same token, we feel that we've done a very strong, determined job to cut down costs where we can cut down and still leave the group with a very strong muscle where it has to be strong with the products coming out, the new ones. Also, the marketing departments respectively have to be alert and no one is waiting when you have a downturn for new products, they have to be there when the tide turns again. A little bit of history, if we look at our growth pattern, '24 comes down as one of the few years where we had a lesser turnover than the previous year. Perhaps we say internally that, "Oh, wait, '24 was almost extraordinary." That's no excuse. We have fallen down with some six billion crowns. I think the pattern of the graph itself indicates that that's our DNA setup, expansion and growth. Sometimes you take a hit, and we are very determined to continue to prosper again.

00:12:12 - 00:13:38
Gerteric Lindquist: The profitability when you're hit with such a sudden downturn in demand, then your profitability also takes a hit. That's something we are we're going to curve or cure as soon as possible. A few more slides before Hans kicks in here. The distribution of sales is pretty much the same. Climate solution is typically at the 64 or 63 level, and the other two are fairly much in line with history. When it comes to profitability, it's all so fairly close to history. Perhaps a little bit stronger for climate solutions, because they came out with relatively better margins than the other two, although all three had weaker margins. The geographical spread at my last slide here is pretty much the Nordic home. That's our home turf. Then the rest of Europe is 44 and North America is 31. I'm sure we're going to come back to that regarding what's happening in the world. We're fairly pleased with the geographical spread compared to where we've come from many moons ago, having a fairly good distribution of sales. Hans, I'll leave it over to you. I spent 14 minutes.

00:13:39 - 00:14:50
Hans Backman: Thank you very much. I'll continue and jump into the numbers immediately, so to speak. If we now look back at Climate Solutions, we had sales here in the fourth quarter of 7.2, which then is a decline of 6.4 percent compared to last year, so to speak. That is one of the signs of improvement because if we look at the quarterly development during the year, we had a decline to start with some 25 percent, 20 percent and then 17 percent in Q3. Coming in at 6.4 is a clear sign that things are moving in the right direction. Also, if we jump down a little bit into the income statement, they're looking at the gross margin. It's step-by-step coming back. It came in at 32.1 and as you can see for the full year it was at 31.6 which means that we've gradually improved that over the year as well. In combination with the savings program that has been kicking in gradually during the year, we did come in here at a profit of 12 percent.

00:14:51 - 00:16:02
Hans Backman: If we look at the full year, we had this decline of 17 percent altogether coming down from 31.4, basically down to 26. It's a dramatic drop. If you compare the year before, we had an increase of some 20 percent. You see the swings that we have experienced this year coming from '23, the best year ever to '24 one of the toughest ones. Also, here we did come in overall at 9.3 percent, not where we're used to being, as Gerteric said. After all, given the year as such a decent performance, I dare to say. If we look at, excuse me, the geographical distribution of sales, the North American piece of the pie there has been a little bit larger this year. It was around '22 last year, showing that North America has had a better resilience altogether in the economy, but also our commercial program is bigger over there, which has led to that pie chart being a little bit larger than normal.

00:16:02 - 00:17:08
Hans Backman: We're pleased with the distribution as such altogether. If we also look at the history a little bit for climate solutions in terms of operating margin, this is how we have performed ever since we went public back in 1997. Ten percent is the group's target, so to speak, which is not the target for climate solutions. That's where we want to be between 13 and 15 percent in that range. As you can see, where we have been also for quite some time. With these years sticking out a little bit, '22 and '24 with this almost crazy demand we experienced at that time. Moving on to element. Element, as Gerteric said, also has been affected by the decline in the HVAC industry and also the semiconductor industry, but not so much in the remaining segments, having followed more the general trend overall in the world.

00:17:09 - 00:18:07
Hans Backman: Here we've seen a decline of some six to seven percent for the full year, whereas the growth in 2023 was around nine. Also, some drastic swings you can say, but not as drastic as in Climate Solutions. The full year here we come in with an operating margin of some 630 million, basically an operating margin of 5.7. Also, not where we're used to being, but given the difficulties, also a defendable margin, I dare to say. If we look at the individual quarter, the decline was less, meaning that also here we see improvements over time. At the beginning of the year, in Q1, we had a decline of around 10 percent, in the last quarter and in Q3 there was a decline of eight percent. Things are definitely moving in the right direction here as well.

00:18:08 - 00:19:32
Hans Backman: The gross margin is slowly but surely picking up again. For the fourth quarter, we came in at 6.7 operating margin. Distribution of sales. As we typically say, this is our most global business area where we are present in most parts of the world. Also here, the North American and the other portion there, which basically is Asia, has been a little bit stronger in 2024. The Nordics and the rest of Europe represented some 48 percent last year, and 44 percent this year. I'm going to talk about '25, now I'm talking about '24. What we're going through. North America has shown a little bit more resilience there. Also here looking back at history, we see that we've had a gradual improvement in operating profit within any element. Ever since we went through the last savings program there, you can say around 2007 to 2008, making us come in above 10 percent during several years, which clearly is our target.

00:19:32 - 00:20:49
Hans Backman: Here we have a range given that we are faced or confronted with various segments throughout the world. The range here is to be within eight to 12, eight in tough years, and 12 in good years. That's what we're aiming at. We're coming back to stability in the stoves area and also this traditional seasonal pattern

where Q3 and Q4 are the stronger quarters during the year. Sales here for the full year declined by almost 19 percent, whereas they almost increased by 19 percent the year before. One should not forget that during Covid, which one would expect to have a very negative effect, initially became very positive in a way because people were at home renovating their homes, and we had a very strong consumption. Then the war in Ukraine led to people looking for a stove as an independent heating source, but now it's coming back to a more seasonal pattern.

00:20:50 - 00:22:01
Hans Backman: The full year with these swings, we came in at 5.3 percent. Also, not a marginal level we're used to being, but where we at least made a good portion of money during such drastic swings. In the Q4 as well, we've seen improvements in gross margin and an operating margin again in double digits. If we quickly look at the geographical distribution of sales, this has also become a fairly international business area for us with our representation in North America. That piece of the pie has increased somewhat. It was at 29 percent last year up to 34. Some five percentage units. [silence 00:21:40-00:21:44] Then also here a bit of a historical picture. The operating margin since 1997 for NIBE Stoves. We've always been proud to say that this is the business area that always has been performing above 10 percent.

00:22:01 - 00:23:40
Hans Backman: That's not where we came in this year, but with the very large swings that we just saw in the other picture. There was obviously a challenge in there, but we came in with a good profit and are determined to come back here as well. The DNA set up for us is really to be at the level of about 10 percent. Here, the range that we talk about is between 10 and 13 percent. Then just a few comments on the balance sheet and we'll come into cash flow. No major movements here, total assets amount to around 70 billion SEK. I think it's pleasing to see that the financial current assets have increased during the year. Came up from 4.3 to 5.6, meaning that we've generated some decent cash. I will come back to the cash flow analysis. If we look at the liability side, we've increased the equity during the year. Following this reevaluation of additional considerations as we call it or as it's called, we've reduced the long-term liabilities and current liabilities which are non-interest bearing, which are those amounts that are to be paid to companies that we have acquired but not acquired to 100 percent.

00:23:40 - 00:24:55
Hans Backman: It's overall 16 companies roughly where we have revalued the amount to be paid. This is what we do every year, especially in Q4 when we have the full picture for the next year and the coming years, where we take in a three-year plan. It's only that during normal years where the swings have not been as dramatic as now, it's been easier to predict the numbers, you can say. We did have a similar adjustment back in 2020 when Covid broke out and one co-owner, so to speak,

decided to cash in at that point instead of staying on board. That's where we made similar adjustments and had a similar effect this time. It's normal business in a way, it's just that the numbers became large due to the very special market. Then coming back to the cash flow that I just mentioned, we generated from the operating activity some 3.8 billion, which is much, much less than the 6.5 almost a year ago. The change in working capital is much better than it seems in a way.

00:24:56 - 00:26:13
Hans Backman: It was negative to 3.9 billion last year, meaning that the net operating activities after changing working capital at that point in time were just below 2.6 billion. Now, with this positive effect of 180, it came in just above four billion. Then in the last quarter, now in Q4, we had a positive effect from working capital of some 430 million. We're definitely making improvements in that area. Investments are continuing but at a lower pace. Obviously, when we run a savings program, we also try to question each and every investment. We continue with those or complete those where we see value in doing so. Overall, a positive change in liquid assets of 1.3 billion, whereas we had a negative 500 last year. I think that is a number that is quite decent. Coming into some key financial figures, I will only dwell slightly upon the net debt to EBITDA.

00:26:14 - 00:27:30
Hans Backman: As you have seen in the report, we have three numbers in there. It's an attempt to be very clear and transparent in a way. The 3.9 is the accounting when you look into the books. We should add back to the change in these additional considerations of some 600 and that leads to these 3.5. If we also take out the program, the amount lands at 3.2. We think this is quite a decent number, and we have the best relations with our banks, and we have no problems with covenants whatsoever. Overall, the equity assets ratio has increased somewhat. Working capital I mentioned it. We've made improvements in that area. Came in at 22.8 for the full year. The intermediate target is to come below 20 and take it even further down from there. That's an ongoing improvement process that we are working on.

00:27:32 - 00:28:51
Hans Backman: Next slide. You can read these numbers in the report, I would say. Return on capital and return on equity will move upwards from these levels going forward. Similar to the pictures we saw for each and every business area, these are now summarized for the groups, our four financial targets. Where you can see the grade, so to speak, or where we have come in over all of these years. There you can see exactly how these operating or key financial targets have developed over time. Last but not least, a summary of the action program. As you know, we initially announced about a year ago that the program would cost around 900 million and bring annual savings of 600 million. When we came out with our Q1 report, we had done a more detailed analysis and calculated it more in granularity.

00:28:51 - 00:30:24
Hans Backman: We came in there with an estimated cost of the one billion and 95 that Gerteric mentioned before and expected annual savings of some 750. Then all during the whole year, we've been working very hard with this program and reviewed costs and projects and people in each and every company. We now have concluded the program for the full year, and it's finalized as well. The total costs came in at 1.152 million with expected annual savings of some 800. In the chart below, you have the split per business area. In terms of savings for 2024, we've written in the report that around three quarters have been achieved on a rolling 12-month basis, and since the program was launched in Q1 and really kicked in Q2 and Q3, it's been a gradual introduction or effect of the program as we move along. We estimate that the true effect in the year 2024 has been around 450, meaning that we have some upside in the year to come. By that, I think we are through with our slides and open up for all the Q&A unless you would like to add something, Gerteric.

00:30:24 - 00:30:31
Gerteric Lindquist: Thank you. I had a coughing session in between here, so I have a cold. Let's see.

Q&A

00:30:36 - 00:30:47
Operator: [silence 00:30:31-00:30:35] If you wish to ask a question. Please dial my own key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial Pound Key six on your telephone keypad.

00:30:48 - 00:30:49
Gerteric Lindquist: All right.

00:30:52 - 00:30:56
Operator: The next question comes from Carl Deijenberg from Carnegie. Please go ahead.

00:30:59 - 00:31:41
Carl Deijenberg (Carnegie): Thank you very much. Thank you for the opportunity. Could I start asking a little bit about your North American business? As you pointed out, that has become a little bit bigger this year and trending nicely here in Q4 as well. I just wanted to ask a little bit, given the new administration and also the production facilities that you have, for example, in stoves in Canada, are you planning to make any changes there given how the communication has been? The second question is, have there been any changes in, let's say, your customers behaving following the new administration or starting too early days, would you say?

00:31:42 - 00:33:10
Gerteric Lindquist: Well, the second question you can ask right away is it's too early. The first question takes a little bit more diving into it. When it comes to heat pumps, roughly everything is produced in the United States. Their customers wouldn't be affected. We have a smaller production up in Toronto. When it comes to elements, we have big facilities down in Mexico and also in Canada when it comes to stoves. Our attitude here is that we're just going to sit still in the boat for a while and look at what's happening. Typically, our experience is that the currencies adjust themselves, not 25 percent, but to a large degree. If they're going to be prevailing for a long time, we could always transfer production into the United States. Not that we are planning that immediately, but that's possible for the stoves. On the element side, we don't believe there is any way back because everyone, our contenders, is also producing there. I think there would be more customers that would take a hit. Perhaps we are too saying mimic when it comes to the attitude here, which it's still about, we're fairly comfortable, but we're going to react accordingly if something occurs.

00:33:14 - 00:33:42
Carl Deijenberg: Very well. My second question would be on your own inventory development. I was a little bit curious here because it continued to trend down here in Q4 as well, roughly 550 million versus Q3. I just wanted to hear a little bit about the values or let's say the inventory composition now. Are you satisfied with the levels, or do you see that there is further potential for reductions here when you enter '25?

00:33:43 - 00:33:56
Gerteric Lindquist: I tell you if I answer yes to that question that we are satisfied, Hans is going to pinch me. No, it's an effort further down. We are on our way, but we have to bring down inventories further.

00:34:01 - 00:34:04
Carl Deijenberg: Okay. Very well. I'll stop. Throwing it back in line. Thank you very much.

00:34:05 - 00:34:05
Gerteric Lindquist: Thank you.

00:34:05 - 00:34:06
Hans Backman: Thank you.

00:34:09 - 00:34:14
Operator: The next question comes from Vivek Midha from Citi. Please go ahead.

00:34:16 - 00:34:46
Vivek Midha (Citi): Thank you very much, everyone, and good morning. My first question is just wondering if you could follow up and elaborate on your thoughts around volumes into 2025. In which markets are you most optimistic in 2025 versus where are you maybe a bit more cautious? It sounds like France, Germany, and parts of Eastern Europe. You're thinking maybe a bit softer by extension. Should we think that it's the Nordics where you're maybe more optimistic? Thank you.

00:34:48 - 00:35:38
Gerteric Lindquist: Well, I think to answer very precisely that, the question is not so easy because the digestion, as we call it, of the inventories is a little bit of a hide-and-seek game. How much have we lost on the manufacturers' level versus the real demand? We estimate that the demand has been bigger out there or better than what the manufacturers have seen, and there now is going to be a better balance between inventories, the distribution chains, the end users and the manufacturers. We estimate that to be an improvement at the manufacturer's level. At what percentage, we can always reason. That's the answer to that question.

00:35:42 - 00:36:01
Vivek Midha: I appreciate that. Thank you. Hello. Yes, sorry. Thank you very much, very helpful. My second question is just again about pricing. What are your latest views and thoughts on pricing? What are you seeing in the market as of now? Thank you.

00:36:03 - 00:37:34
Gerteric Lindquist: Well, we believe that there is, well not only believe, we see that when the distributors and so forth would like to reduce their inventories of goods, not necessarily that they have a big turnout but because there's always a risk that they're going to cut down prices on that. That is really not hitting the manufacturer's levels. That's something that is being sold at the full price in '23 or even earlier. Now it's trying to reduce those inventory levels. That's mostly where you see price reductions. There's also a phenomenon when the refrigerants are now being phased out. There is a fight between or a fight against time. Everyone has to be ready at latest the on January 1st to 27th with no refrigerant, natural ones. That means that those machines or heat pumps sitting out there in inventory levels with older refrigerants, I would like to get rid of them or sell them out quicker to allow for more modern machines to come in. That's most of the phenomena you see out there. We don't feel that the regular premium manufacturers have been taken into any price war.

00:37:38 - 00:37:40
Vivek Midha: Thank you very much. Very helpful.

00:37:55 - 00:37:56
Gerteric Lindquist: [silence 00:37:41-00:37:55] We lost something there.

00:37:59 - 00:38:03
Operator: The next question comes from Douglas Lindahl from DNB Markets. Please go ahead.

00:38:04 - 00:38:04
Gerteric Lindquist: Hello?

00:38:08 - 00:38:31
Douglas Lindahl (DNB): Hello, Gerteric and Hans. I'm Douglas here from DNB. Two questions from my side as well. I wanted to focus a bit on the gross margin development, especially within climate solution, which is down from the 2023 highs. You're also down in a historical context. What's behind these numbers and the trend?

00:38:35 - 00:40:03
Gerteric Lindquist: [silence 00:38:30-00:38:35] Well, when you take a hit, as we've done, all numbers become extraordinary. I think that's a major explanation because we had a very decent setup in '23. Then Marne was phenomenal, and we could hardly keep up with demand until the fourth quarter. Then, all the stars were aligned. Then we were hit with this drop in demand and we were hit very hard when it comes to the cost structure. We didn't have time to align ourselves immediately to the immediate demand. At the same time, we had to also plan for the future. We could take down costs even further. You also have to believe in the future, which we firmly do. If you streamline yourself too much, it's almost impossible to regain your speed and your power when things are picking up again. It's been a very delicate balance between how much should we cut down and how much we should save off of power for the future. That all in all explains the deviation.

00:40:06 - 00:40:12
Douglas Lindahl: [silence 00:40:02-00:40:06] Okay, I understand that from 2023 levels, but just from a historical context, does that stand as well then?

00:40:14 - 00:40:29
Gerteric Lindquist: We would like to come back, obviously, but there's no particular reason other than what I've said. You shouldn't reason around any--

00:40:29 - 00:40:30
Douglas Lindahl: Fair enough--

00:40:30 - 00:40:32
Gerteric Lindquist: Price criticisms or anything like that.

00:40:34 - 00:41:00
Douglas Lindahl: Fair enough. Thanks, Gerteric. Moving on, then you talk about how in the long term, you see clear volume growth rate pumps in Europe, but also in the report, you mentioned that it's likely to come at a lower level than the previously very optimistic forecasts. I know that historically, you've mentioned a few numbers on this. Would you want to put some numbers to that statement's broad range?

00:41:01 - 00:42:20
Gerteric Lindquist: Very quickly then, if I take 60 seconds on that, we were predicting the number of heat pumps in 2030. It's always very, very difficult to predict, but it will be around three and a half to four million by 2030, you've heard that figure. During the hype, if we may call it '22 and '23, those figures became too conservative. Everyone said in the industry they're going to be like eight to 10 million. That's hard to take in for us because the reference we have is Sweden, which took 20 years to change from oil into heat pumps, 20 years. If we were to take the change over in Europe to become predominantly heat pumps, that would take 20 years at least, possibly a few years more. Our conservative figures were more realistic, around three and a half or something if you had a very, should I say, a straight graph.

00:42:21 - 00:43:14
Gerteric Lindquist: That's pretty much what has happened, we were taken into this hype, and we didn't believe in it. However, you couldn't say, "We don't believe you're going to see it still." Therefore, we did as well as we possibly could, like all the other ones in the industry, but it doesn't mean that the industry is such. Now going to meet the market they're going to contract. We are going to be at least three times or two and a half as big as it is now in six years. It's not a catastrophe. That's not how we view it, anyway. Perhaps it's more realistic than the figures given because expanding 40 percent per year consecutively is not very easy. Those figures were a little bit of a pipe dream, you can say.

00:43:17 - 00:43:21
Douglas Lindahl: No, I understand it's a difficult question. I appreciate the answer. Thank you.

00:43:26 - 00:43:29
Operator: [silence 00:43:21-00:43:26] The next question comes from Karl Thulstrup from Nordea. Please go ahead.

00:43:33 - 00:44:10
Karl Thulstrup (Nordea): Good morning. It's Karl from Nordea. Two questions on my side as well. Firstly, on the quarter here and organic growth in climate solutions. The Netherlands is a fairly substantial market of yours. We saw data coming in quite strongly. Some speculated the form of pre-buys. Have you experienced that during

the quarter of boosting sales to some extent? Have you seen any new buying patterns in Germany here ahead of the election as well?

00:44:13 - 00:45:02
Gerteric Lindquist: That was one question. We predicted very much the same as we say now in this report. In Q3, we came out and said most likely two quarters are going to be a little bit sluggish and then demand going to pick up more at the manufacturer's level. Now we indicate one quarter. That's not in contrast to the brighter outlook. The applications have come in a far larger number. However, there is a lag between the application going in and getting the admittance. Also when the actual installation comes and when you buy the heat pump. That is to come. I don't know whether I answered your question correctly there, but that was an attempt anyway.

00:45:04 - 00:45:41
Karl Thulstrup: That is definitely fair. My second question here is a little bit on the cost savings. Good to see that they're materializing quicker than you thought, and more to come in '25. I'm curious to hear because you've also built up capacity, which will come with higher depreciation levels. How do you look at the net effect between the higher depreciation and the cost savings materializing in '25? That is the second. Thanks.

00:45:41 - 00:45:56
Gerteric Lindquist: There'll still be a positive effect from the savings, but you're correct to say that the depreciation is going to be higher. However, there still will be a positive effect compared to the depreciation.

00:45:58 - 00:46:00
Karl Thulstrup: No quantification, I guess.

00:46:00 - 00:46:07
Gerteric Lindquist: Yes, I apologize, but although it's Valentine's Day today, we have to be a bit modest.

00:46:09 - 00:46:11
Karl Thulstrup: Okay. Thank you so much.

00:46:11 - 00:46:12
Gerteric Lindquist: Thank you.

00:46:16 - 00:46:20
Operator: [silence 00:46:12-00:46:16] The next question comes from Uma Samlin from Bank of America. Please go ahead.

00:46:23 - 00:47:07
Uma Samlin (Bank of America): Hi. Good morning everyone. Good morning, Gerteric and Hans. My first question is just a follow-up on the demand side. I guess in previous years, you always had the target of 10 percent organic plus 10 percent M&A. It seems like in your 2025 outlook, the growth part of that equation is fairly vague. What are the demand trends you're seeing right now, given the inventory has come down to a more acceptable level, and you perhaps have a bit more clarity? How do you see the year to come out? What is your expectation of organic growth in 2025 especially when we think about your margin targets to return to the previous levels? Thank you.

00:47:09 - 00:47:50
Gerteric Lindquist: To elaborate on the growth pattern, I think that's as you well understand, difficult. Had we had a very precise idea, then we would have presented that in the report. I'm not trying to imply, but without mentioning the exact figures, when we so clearly say that we expect sales to improve. That has to be interpreted that all three business areas will grow organically. The percentage as such, I think we have to remain more, again, modest than giving out those figures. I hope you appreciate that.

00:47:53 - 00:48:18
Uma Samlin: Thank you very much. That's appreciated. I guess my second question is on the German elections and there has been a lot of noise on whether the current subsidy scheme will be abolished. What is your anticipated exposure to the subsidized part of the market in Germany? Do you have any rough assessment of how much sales or margin impact you might expect if the subsidy is to be completely abolished?

00:48:21 - 00:49:44
Gerteric Lindquist: As we say, the political issues, we just have to come back to somehow. We have not, as with the Canadian Mexican American issue we discussed earlier, we just have to react accordingly. If things change dramatically, then we have to act accordingly. We would find it strange if the government in Germany would suddenly abandon the green ideas for sustainability after all the efforts have been made and all the efforts in the process. If that's the case, then we have to revert to how we combat that. It's not something we sit here daily and worry about. We follow the discussion. We know how it is politically. With the Constitution, they have there is just like we have here. You have to have coalitions. It's not like in Britain or in the US, where the winner takes it all. Here there are always compromises, and we are very certain that things are going to come out, if not as grandiose as they've been. Still supporting the change over to sustainability.

00:49:48 - 00:49:50
Uma Samlin: That's very helpful. Thank you very much.

00:49:50 - 00:49:51
Gerteric Lindquist: Thank you.

00:49:58 - 00:50:02
Operator: [silence 00:49:51-00:49:57] The next question comes from Christian Hinderaker from Goldman Sachs. Please go ahead.

00:50:04 - 00:50:50
Christian Hinderaker: Hello, Gerteric, and Hans. I'm not looking for guidance here on numbers but would appreciate some help maybe in the first question on mechanics. You've invested 10 billion crowns in CapEx since 2020, as you said in the report. I think there's also been around 13 billion spent on M&A, so quite a lot of investment that's taken place. Given those investments, and also maybe the cost actions that you've taken, has there been any change in the operating leverage for your business? Specifically, you've cited previously incremental margins of 20 to 25 percent for climate solutions. Just trying to think, if we assume 100 million of additional revenue for that business, should we still see 20 to 25 million of additional EBITDA when we think about modelling? That's the first one.

00:50:52 - 00:51:03
Gerteric Lindquist: That's a maths task worth the name. I don't know where we start. Did you interpret the question correctly, Hans?

00:51:03 - 00:52:24
Hans Backman: Maybe not fully, but if I start to say, if you look at our development over the years, and we've shown these graphs showing the development ever since we went public. We have had a combination of growth through acquisitions and organic growth that has led to where we are today, where we've seen an average growth of 17 percent, I think it is, if you look back over all of these years, taking now 2024 into account. Some years have been more through organic, some more through M&A. Over all of these years we've faced a lot of different situations if you call it that. When you do the maths and the modelling, it looks pretty much the same after all, over the years in terms of how much she's hitting the bottom line, so to speak, when you get an additional dollar of sales on board. I don't think or see that there have been huge changes. Having said that, if volumes would kick in, we are extremely well positioned to bring on volume into our factories and the newer ones, which are also better automated, you can say, than the older ones.

00:52:26 - 00:52:33
Gerteric Lindquist: Thank you for the answer to the question, I don't know whether you were satisfied with that, Christian.

00:52:36 - 00:52:58
Christian Hinderaker: We can come back to that. Secondly, you had 26 billion in revenue and climate solutions for the year. Just interested in some colour on the mix. How much of that was from heat pumps, maybe water heating? You've also mentioned in the report commercial cooling and ventilation as a growth area. It would be helpful to know the current size of that product area for your business. Thank you.

00:52:58 - 00:53:33
Gerteric Lindquist: We are not very precise there, but this commercial segment is certainly double-digit of the turnover, as we said before. The water heaters are staying more stable. That is correct. They have not taken the hit as the heat pumps because that's typically for refurbishment. If you compare it with the three segments, heat comes for residential use has taken the hardest hit but still being the largest segment.

00:53:38 - 00:53:44
Christian Hinderaker: [silence 00:53:33-00:53:36] Just to clarify. The commercial is the double-digit percent of climate solutions, or the group as a whole.

00:53:45 - 00:53:46
Gerteric Lindquist: No, of climate solutions.

00:53:48 - 00:53:51
Christian Hinderaker: Understood. Thank you, Hans. Thank you Gerteric.

00:53:51 - 00:53:52
Gerteric Lindquist: Thank you, sir.

00:53:56 - 00:54:00
Operator: The next question comes from Victor Trollsten from Danske. Please go ahead.

00:54:04 - 00:54:28
Victor Trollsten (Danske): [silence 00:54:00-00:54:03] Thank you. Operator. Good morning everyone. Firstly, I have a question for you, Hans. I thought I caught what you said in the presentation, working capital today is around 23 billion, and you have an intermediate target of 20 billion as a first. You start an exercise for 2025 or just any colour on that list.

00:54:29 - 00:55:17
Hans Backman: What I said there, if you looked at the picture there with working capital we're above 20 percent today. We brought it down reasonably well during the year. We're at 22.8, but especially from my point of view, being the numbers guy, so to speak, I'm never satisfied with the working capital level. We have an intermediate target to first bring it down to below 20 percent, which is the target that we set, as we speak now or have set also to get there. After that level, we want to bring it down even further. If you look back at our historical levels, we've been below that level as well. It's been a challenging market and I think we've done reasonably well during the last part now.

00:55:20 - 00:55:52
Victor Trollsten: That's great. Secondly, just on the cost savings program, thank you for the clarification of 450 million instead of things during 2024. I'm still a bit puzzled because my interpretation was that it had quite a limited impact in the first half. I think you said quite a little in Q3 also. How is that spread across 2024 if you can give any colour on that?

00:55:54 - 00:56:48
Hans Backman: We started naturally when we announced it for the first time. We started naturally to reduce costs already in May and June, not only during the second half of the year. From the very beginning, it was the most obvious one when consultants were cut. That's an immediate cut because we had a large number of consultants, just as an example. The notice time for that crowd is very short. That had an immediate effect. Also during the second quarter, we had those, it might be cynical to say low-hanging fruit, but they were the most obvious ones. Negotiations were the fully employed people that take a longer time.

00:56:53 - 00:56:56
Victor Trollsten: Okay, fair enough. Thank you very much.

00:57:01 - 00:57:06
Operator: [silence 00:56:55-00:57: 00] The next question comes from Gustaf Schwerin from Handelsbanken. Please go ahead.

00:57:09 - 00:57:53
Gustaf Schwerin (Handelsbanken): Thank you very much for that. I will try the operating leverage, depreciation, and savings net a bit differently. With the investment programs that you've taken now with the substantial assets, have you started to depreciate that to any major extent at all? If you look at it from, say, 2022, the picture here is quite blurry given that you have the life acquisition effect on DNA as well. I'll take them at the same time. When you say positive effects between savings and depreciation, is that independent of where volumes are headed for 2025? Thank you.

00:57:55 - 00:58:23
Gerteric Lindquist: Well, we expect the same kind of growth without specifying that very clearly. We repeat that if things go as we plan, the savings are going to be contracted a little bit or diminished by the depreciation, but still, the savings are going to be on the better side. If I understood the question correctly.

00:58:24 - 00:58:51
Hans Backman: If I just fill in there, the annual savings that we have announced and which you have seen now in the presentation of some 800 million, if we say that the effect in 2024 is some 450. This means that we have some room for additional savings kicking in here now during 2025 and the depreciation will not increase with that corresponding amount.

00:58:55 - 00:59:07
Gustaf Schwerin: All right. Just to be very clear, going back to the first part of the question, if we look at underlying the NIBE stack box in, say, 2022, how big is that number?

00:59:09 - 00:59:12
Hans Backman: The underlying which one, the increase in depreciation, do you mean?

00:59:13 - 00:59:30
Gustaf Schwerin: If we exclude the effect of the DNA that you got when you acquired clients for life. What's the underlying increase in depreciation, which would then be tied into the investment program that you made?

00:59:32 - 00:59:40
Gerteric Lindquist: I don't know whether I have that figure right away. Well, I think I don't know. Hans, could you go back there?

00:59:40 - 00:59:44
Hans Backman: Yes. Why don't you give us a buzz regarding that specific issue?

00:59:46 - 00:59:56
Gerteric Lindquist: If I'm not impolite, I think that we have to stop here. I would just like to correct Hans, for one thing.

00:59:57 - 00:59:58
Hans Backman: I know that.

00:59:58 - 01:00:06
Gerteric Lindquist: You were so enthusiastic. You said that element is between eight and 12. I think it's between the eight and 11.

01:00:06 - 01:00:07
Hans Backman: Absolutely.

01:00:07 - 01:00:08
Gerteric Lindquist: I think we all noticed that.

01:00:08 - 01:00:11
Hans Backman: I heard that myself, and I was going to do it.

01:00:11 - 01:00:31
Gerteric Lindquist: We just correct one another. Once again, thank you for calling in. We're going to run to the next show, if we call it. We wish everyone out there a nice weekend. Don't forget your celebration when it comes to Valentine's and whatever comes with that.

Thank you very much.