19-Feb-2025

Fagerhult Group AB (FAG.SE)

Q4 2024 Earnings Call

CORPORATE PARTICIPANTS

Magnus Haegermark
Head-Mergers and Acquisitions, Fagerhult Group AB

Bodil Sonesson
President & Chief Executive Officer, Fagerhult Group AB

Michael Wood
Chief Financial Officer, Fagerhult Group AB

OTHER PARTICIPANTS

Nikola Kalanoski
Analyst, ABG Sundal Collier AB

Mats Liss
Analyst, Kepler Cheuvreux SA (Sweden)

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Fagerhult Group Q4 Report 2024. For the first part of the conference call, the participants will be in listen-only mode. [Operator Instructions]

Now, I will hand the conference over to Magnus Haegermark, Head of M&A. Please go ahead.

Magnus Haegermark

Head-Mergers and Acquisitions, Fagerhult Group AB

Thank you, Aynar; and hello everyone. And welcome to the presentation of Fagerhult Group's fourth quarter and full year results for 2024. My name is Magnus Haegermark and I'm the Head of M&A here at Fagerhult Group.

On the call today, we have our President and CEO, Bodil Sonesson; and our CFO, Michael Wood. The presentation will start with Bodil giving us a brief update of our results for the fourth quarter. Bodil will then continue to update us on some highlights, today focused on the Collection business area and an update on our reporting of carbon emissions. After that, Michael will follow up with more details about the performance of the group. Finally, Bodil will conclude with a recap, and then we will open up for questions. We will first take questions from the conference call. Then, we will open up for questions from the webcast. You can pose questions in the chat window on your screen and I will read them up for Bodil and Michael.

Before we start, let me also remind you that today's session is recorded and will be available on our website later today.

With that, I hand over to you, Bodil. Please go ahead.

Bodil Sonesson

President & Chief Executive Officer, Fagerhult Group AB

Thank you, Magnus; and welcome, everyone, to this Q4 2024 webcast. So, during Q4, we continued with a very high focus on cost control and cost reduction as we are still not satisfied with the operating result. The fourth quarter was not in line with our ambitions, and it's caused mainly by the slower market conditions. So, in Q3, we reported on restructuring programs in three entities, and we are reinforcing cost control in the whole group to right-size the business to the current slower market conditions. We see these activities continuing through the first half year of 2025, and they will gradually benefit our results.

We have decided to close the Dubai entity of the Fagerhult brand, which is part of the cost reduction in Fagerhult brand, and this will improve the operating margin in business area Premium. I want to point out that this is not affecting any of the business area Collection brands in the region, which are operating successfully. So, as a group, we still have a strong presence in the Middle East region.

On the positive side, Q4 showed higher activity level than Q3 in both higher order intake and higher net sales. We continue to see big swings in order intake [indiscernible] (00:03:22) business areas and brands, and this is something we have seen since the middle of 2024. And our presence in many geographical markets and in many segments help us to spread the risk and increase stability over time. It has helped us in 2024, although we have not been able to balance the full impact of the lower construction market activity in new-build during the year.

It is difficult to speak about a general pattern as we see big variances. As an example, in Q3, we reported lower activity in the UK after the UK election, and now I'm positive to say that we saw good demand in Q4, which is reflected in good order intake in the business area Professional with 22% growth. On the other hand, the French public market was very difficult due to the lack of [ph] budget voted (00:04:24) in the French parliament, which is then, of course, as you know, since happened. But that is partly reflected in order intake in business area Collection.

On the positive side during 2024, we reached the best gross margins so far, which shows that our active price management in the inflationary period is paying off in a good way, and also that we're able to create customer value in the Premium segment. A big contributor to the positive gross margin is the high tempo in product innovation that is so important for us. Early in the quarter, we launched new product families in both iGuzzini, Designplan, and WE-EF. We also saw launches in the smart offering. For example, a new generation of products in Citygrid, which is for all outdoor Smart Solution. Also, cash flow remains very strong, and we see future is positive. So, the board intends to propose a dividend of SEK 1.40 per share, which is right at the top end of our dividend policy.

So, let's have a look at the numbers for the quarter. Order intake in Q4 was SEK 2.008 billion, which represent an organic decline of 6.2%, and net sales at SEK 2.040 billion, which had an organic decline of 4.1%. At the EBIT level, we delivered SEK 143 million with a 7% EBIT margin and EPS was SEK 0.32 per share.

If we then look at 2024 in figures, and there the year-to-date order intake is at SEK 8.114 billion, which represents an organic decline of 3.4% compared to 2023. And net sales declined organically with 2.6% to SEK 8.305 billion compared to 2023. And operating profit before IACs was SEK 741 million compared to SEK 901 million in 2023, and this represents an operating margin of 8.9%. And EPS before IACs is SEK 2.31 per share.

And as always, Michael will give you more information when we come to the financial section. But first, I will give you a better understanding of our business areas. And you know, I use this possibility in our quarterly reporting to give you a flavor of our strategic group focus areas. And today is no different. I often get asked questions about our four different business areas to give a little bit more flavor to it and understanding of our position in the market and why we stand out from the lighting providers. For 2025, I thought I'll give you an overview of one business area per quarter, and I will start with Collection. I will also give you [indiscernible] (00:07:47) of our greenhouse gas emission numbers as we have updated our calculation model for these emissions, and that means restating our baseline as well as give you a snapshot how the numbers are developing in relation to our 2030 SBTi targets. But let's start with the focus on Collection.

Collection focuses on high-end lighting solutions for architectural applications worldwide. It comprises four brands: iGuzzini, WE-EF, ateljé Lyktan, and LED Linear. It is the largest contributor to the group's revenue, accounting for approximately 45% of total revenues. And due to the size of the projects in this business area, its performance can vary highly between quarters. The Collection brands work in a close symbiosis with international lighting designers and architects; and as a result, their lighting can today be seen at many of our most cultural and iconic recognized places around the world and are the only brands where we are active in the US and with a global footprint. And in the US, New York is actually the city in the world with the most lighting designers that do both specifications for the North American markets and many projects worldwide. Therefore, a presence in New York is very important if you're a global brand.

The Collection brands engage in both outdoor and indoor high-end lighting solutions, with a mix of 34% in outdoor and 66% in indoor. And all of the brands do outdoor and three of them do indoor. So, let me give a brief overview of each brands and some of their products.

So, we start with ateljé Lyktan, which is actually the oldest brand in the group. They celebrated 90 years last year. Founded in 1934 in Sweden, ateljé Lyktan was the first brand to be acquired by Fagerhult already in 1974. So, they produces high quality luminaires for both outdoor and indoor use, with a strong emphasis on timeless Nordic design. They're known for their ability to create bespoke luminaires for prestigious projects. They have an indoor department called the Studio doing this, and you can see many of the solutions around the Nordic countries, such as in street lightings in [indiscernible] (00:10:26), which you can see in the picture, or office lightings for many of our Scandinavian headquarters. We can mention [indiscernible] (00:10:36) all equipped with ateljé Lyktan lighting. And they have a more narrow geographic footprint than others, mainly active in the Nordics and the UK, with an ambition to expand into Europe.

Then we have iGuzzini, founded in 1959. iGuzzini has grown into a world-renowned brand for architectural lighting applications with a very high level of product innovation. They possesses a strong competence in many areas and with a focal specialism of optics development. We mentioned one innovation this quarter, which is the so-called Filorail, which is an invisible track light for spotlights. For the curious one, take a look at iGuzzini's Instagram and you will find some films about the new solutions. They focus on high-end architectural design lighting, primarily within hospitality, cultural, educational and office segments. And their largest markets are Italy, their home market, US and Germany. And you can find their lighting at well-known places such as King's Cross Station in London, Lecce and Parma Cathedral in Italy, Doha Metro in Qatar, and Kópavogur Church on Iceland. And I think if you ask any lighting designer around the world, they will be familiar with iGuzzini.

Then we have the youngest company in the group who actually founded around LED solution, founded in 2006 in Germany is LED Linear and they offer highly innovative, minimalistic, miniaturized and customizable linear lighting solutions. So, they have since the beginning leveraged the latest LED technology to provide [ph] versatile (00:12:31) products for project ranges from high-rise facade to retail store, so both indoor and outdoor. And you can see on the picture here, you see the Puma Flagship store in New York. You have the Louis Vuitton Mall of Emirates, or in Sweden, [indiscernible] (00:12:50) and Platinan building complex in Gothenburg. And their largest markets are US, Germany and the UAE.

And then we have the last company of the four, which is WE-EF, which was founded in 1950 in Germany. And WE-EF, as I said before, only does high-end outdoor lighting. And they're world-leading in lens technologies and optical systems and providing highly reliable luminaires mainly for urban landscapes, streets and pathways. And for example, WE-EF provides luminaires with marine grade to withstand the toughest weather conditions, such as harbors and areas close to the sea. And WE-EF's largest markets are France, US and Australia and has a world recognized name within the high end performance outdoor segments.

So, you can see here we have an example of a bridge and they light up many famous bridges, city centers, monuments, and airports around the world. An example are Sydney Harbour [ph] Foreshore (00:13:49) with Darling Harbour in the [indiscernible] (00:13:50) or the Familia Sagrada in Barcelona, or London City Island.

So, to summarize, the Collection business area is unique with their focus on high-end premium lighting for the design and architectural heavy projects internationally. It makes them less price sensitive. And one of the main opportunities for the future within this field is to combine high-end luminaires with smart lighting to enhance lighting experiences and save additional energy.

So, that closes the part on the Collection. And I will move in to give you a quick update, as I said, on our emissions calculations as we have decided to change our calculation method. Since the baseline year, which for us is 2021, we are now reporting higher emissions for historical years, which comes from this change in calculation method we have implemented related to use-phase emissions, so in Scope 3. We have previously used future projections of all electricity emissions factors over the lifetime of our luminaires taking into considerations changes in the grid, for example.

Now, we use the emission factor instead for the year a luminaire is sold and for all electricity it will consume over its lifetime. So, for example, if you look at the example on the slide, we applied an emission factor of 196 for all luminaires sold to the UK in 2021 instead of 77, which was equivalent to a projected 20 years average emission factor. This increases the emission scope of use-phase emissions and we will apply the changes to all years. And this new approach aligns with the so-called Environmental Product Declarations, or well known as EPDs, and what's done in the industry and will not impact how we align with our SBTi targets.

And just a snapshot on the numbers what we see from 2021 and until 2024, we are progressing well with our emission reduction targets validated by Science Based Targets. And as you remember, we're aiming to reduce Scope 1 and 2 emissions by 70% and Scope 3 by 30% by 2030. And since 2021, we have reduced our total carbon footprint by 34%. So, more than 90% of our emissions come from the use of our products where we can influence emissions through energy efficiency and smart lighting. So, right in the heart of what we're doing, and that is one of the reasons why smart lighting is such an important part of our strategic agenda. And then, of course, part of the decrease is also driven by decarbonization of the electricity grids in different countries around the world.

And with that, I will hand over to Michael for a deeper financial update.

Michael Wood

Chief Financial Officer, Fagerhult Group AB

Thank you, Bodil; and good morning to each and every one of you from me.

In terms of order intake and net sales, the fourth quarter was in line with expectations. Market conditions did remain volatile, as Bodil has already commented, with some external headwinds. Unlike many other businesses, we await the uplift from the returning markets. Some business areas and some brands continued to perform better than others. The enhanced cost focus I spoke of last quarter, including the restructuring in three entities, remains. But as Bodil already mentioned, we need to work harder at increased levels of cost reduction on a wider scale across the group. We are not pleased with the results.

Some of the previously announced cost reduction programs have not yet materialized, and this, combined with the SEK 21 million inventory write-down in the quarter, explains the less than expectations on profitability. However, I remain confident that the previously announced cost reductions, plus the newer wider scale cost reductions, will benefit the group's operating margin during 2025.

Gross margins continued to improve and the quarter is in line with the full year, both for the above-mentioned inventory write-down. We do see further benefit here from improved portfolio and pricing management and material cost reductions. Operating cash flow is very significant, is very strong, and a strong point for the group, it remains very healthy. But more on that a little bit later.

Looking at the year-to-date position, net sales are organically 2.6% up versus the last year, with mixed performance across the various business areas. The slower to come through cost reductions will enhance profitability during 2025. And as mentioned already, the scale of the cost reduction focus will increase during the current half year.

The earnings per share has reduced from last year, and we are not at all pleased about that. We will seek to improve this during the current year. And as a sign of confidence in the actions and our well-positioning in the market, the board will propose a maximum dividend to the Annual General Meeting in April.

Operating cash flow for the year is at a second all-time high at SEK 964 million and supports the dividend proposal from a liquidity perspective. Due to the ongoing softer market conditions, the rolling 12 month net sales took a shallow dip in the period to SEK 8.3 billion. You can see it here on the chart on the right-hand side. There are opportunities almost everywhere on the market and the megatrends do remain favorable. Decision-making on projects, however, remains long, with delays being often. When the new-build market activity begins to return, we will see a further improved position in the rolling 12 months.

With the exception of the supply chain crisis catch-up in the year 2022 on the chart, the fourth quarter operating margin has seasonally been weaker, and we see this clearly in the chart. For the short term, our focus will be on driving the cost reduction programs to return to double-digit levels and be in a healthy position for when the markets return. As mentioned, we expand and accelerate the cost reduction measures.

Taking you through the separate business areas, Bodil's already described what, who, where and how our Collection businesses work and focus, so I will [indiscernible] (00:21:02) on the numbers. The year-end Collection resulted in net sales of SEK 3.84 billion net sales compared to SEK 3.86 billion the previous year. So, very, very close. And an almost flat level of profitability at SEK 363 million compared to SEK 368 million the previous year. This is a robust and resilient performance given the challenging market conditions. Collection has maintained its operating margin, and this has been driven from gross profit margin development on the ever so slightly lower net sales. Looking to the current half year, we see an increased focus on cost reduction as the markets remain soft.

Coming to Premium. Business area Premium continues to deliver very solid levels of profitability, contributing more than half of the group's operating profit. The operating margin before IAC of 14.1% for the year compares to 15.8% for the prior year, with the reduction due to lower activity on the market. Full year order intake levels at minus 0.7% in Premium are almost flat compared to 2023, and this is quite a good performance considering the 10 successive quarters of new-build construction.

The Fagerhult brand continues to increase project success in two areas: one, promoting Organic Response Smart Lighting technology on the market; as well as delivering project luminaire solutions made from alternative materials. During the quarter, as Bodil has mentioned, as part of its cost reduction focus, Fagerhult announced a closure of its UAE-based operation in Dubai, and this will be executed by the end of the half year. The restructuring program at LTS is taking longer to execute, and so the savings here have not yet materialized from this program.

Coming to Professional. Business area Professional closed out the year with a very strong order intake of plus 22% in the final quarter. So strong, in fact, that it resulted in the business area delivering full year organic order intake growth of plus 1.1%. The three-year trend in operating margin continues to be on a positive trend one, with improving performances in Eagle Lighting and Whitecroft Lighting, but with a continued difficult situation in Turkey, where the restructuring takes time to come through. When the Turkey restructuring has been completed, there should be an enhanced new level operating margin, so this is the focus, of course, in business area Professional.

Lastly, coming to Infrastructure. High volatility exists in all markets. Bodil has already stated that quite clearly. And this is seen very clearly in BA Infrastructure where during Q2 and Q3 there was a positive order intake growth. But in the final quarter, the reduction was almost minus 26%. Despite the challenges this year in Infrastructure, the operating margin at 9.3% is ahead of the group's average; and following the close-out of the Veko restructuring and the degree of consistent sales growth, the return to double-digit operating margin should be in the foreseeable future. The business area has a 13% improved order backlog at the start of the year.

I said I'll come back to cash flow on one of the earlier slides. And on the cash flow side, we do continue in a very positive way, now with 11 quarters of generating a positive cash flow from the group operations. The SEK 964 million is the second best on record for 2024. We carry a lower net debt into 2025, have a stronger balance sheet as a result and look forward to making good use of the cash reserves.

As you can see, the net debt reduced in the quarter as the operating cash flow at SEK 356 million in the quarter once again was healthy. We report net debt at SEK 2.261 billion, adjusted to SEK 1.51 billion to IFRS 16 effects, and the net debt to EBITDA ratio remains at 2. Net debt is the lowest the group has carried for at least six to seven years.

Earnings per share. We repeat the message about not being pleased with the earnings per share level at SEK 2.31, and we'll focus significantly to develop this during 2025. The accelerated and wider cost savings, including the restructuring programs, combined with the lower interest expenses, will improve EPS going forward.

Before handing back to Bodil for closing and Q&A, just a very short summary from myself. The softer market conditions continue to affect the activity level in the industry and on the Fagerhult Group. During the fourth quarter, we were not happy regarding the cost situation, and we'll focus more on this during Q1 and Q2. Cash flow and balance sheet strength remain very strong, and strategically, the group is well-positioned for when the markets return.

Thank you. And I hand back to Bodil.

Bodil Sonesson

President & Chief Executive Officer, Fagerhult Group AB

Okay. So, with a short conclusion and recap before we go to questions. So, overall, we saw the same market conditions in Q4 as we've seen for the full year 2024. And in the markets where we were present, although as we have mentioned that we had a higher activity level compared to Q3. And with the slower market situation, we're having a much higher cost focus in all of the group's companies. And as Michael said, this will continue during the first half year.

We have started to see some savings from the restructuring last year coming through in Q1 and some are slower to materialize. As we're still not satisfied with the results, we will continue until we have reached our ambition levels and our targets.

I thought I'd mention also a little bit about tariffs as I spoke about the US or North America for business area Collection. And we are, of course, with the election of Trump assessing the potential impacts from the tariffs. And there are different scenarios, and you know that this is changing daily. So, we are monitoring and you still have a lot of uncertainties what would happen in the end. But as a short reminder, we ship to the US from Europe and Canada as well as having some assembly in the US markets. This is very representative of how the whole lighting industry operates. And also, if you look into the American local market and companies, very often they import from China or produce in Mexico.

Then I also would like to say that I continue to be very optimistic about the many good activities that is happening in the group. I mentioned before new product innovation, extremely important. We see a lot of good progress in smart lighting and therefore also in sustainability as well as we see many satisfied customers with our solutions. And we continue to win big projects. So, we continue to be convinced that we're doing the right actions towards the markets, and our ambitious goals and as well as we are positioned – well-positioned when the construction market again turns positive.

So, I want to leave you with that positive message as well. And with that, I hand over to Magnus for questions.

Magnus Haegermark

Head-Mergers and Acquisitions, Fagerhult Group AB

Thank you, Bodil. And with that, we can ask the operator to open for questions from those on the telephone line.

QUESTION AND ANSWER SECTION

Operator: Thanks a lot. We have the first questions from Nikola Kalanoski from ABG Sundal Collier. Please go ahead. Your line is open.

Nikola Kalanoski
Analyst, ABG Sundal Collier AB

Q

Wonderful. Thank you very much. And thanks for the presentation, Bodil and Michael. I just have two questions. The first one is just a confirmatory question. Did you adjust for the inventory write-downs of about SEK 20 million in the operating profit before IAC?

Michael Wood
Chief Financial Officer, Fagerhult Group AB

A

No...

[indiscernible] (00:29:43)

Nikola Kalanoski
Analyst, ABG Sundal Collier AB

Q

...IAC.

Michael Wood
Chief Financial Officer, Fagerhult Group AB

A

No, we didn't. Our definition of IAC items does not include inventory write-downs. Got to be quite strict in accounting regulations for that.

Nikola Kalanoski
Analyst, ABG Sundal Collier AB

Q

Understand. And my second and just final question is, if you could help us unpack the price and volume mix in the quarter.

Michael Wood
Chief Financial Officer, Fagerhult Group AB

A

Price and volume mix. I'm going to take you back maybe two years, Nikola, when the supply chain crisis was impacting the group's gross margin, and we put a lot of work and effort into pricing at the brand level. That was very successfully executed during 2023 and 2024. Things do take time to come through, and that's why it was maybe six to nine months before we saw the positive impact of that. And then when you come all the way through to the end of 2024, we are still expecting pricing favorable mix coming through on the top line and that will continue, we think, into 2025. And as I said on part of my delivery, the order intake and net sales in the quarter was in line with – so volumes, therefore, was in line with expectations.

Nikola Kalanoski
Analyst, ABG Sundal Collier AB

Q

I appreciate. That's very clear. Thank you very much. That's all for me.

Michael Wood
Chief Financial Officer, Fagerhult Group AB

A

Thanks, Nikola.

Operator: The next question is from Mats Liss from Kepler Cheuvreux. Please go ahead. Your line is open.

Mats Liss
Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. Hi. Thank you. Well, a couple of questions. First, I mean, you mentioned the savings measures that you're about to – well, adjust for market conditions. Could you say something about the potential of improvement to be expected during the second half? And maybe also if there are some extra costs to be expected during the first half?

Michael Wood
Chief Financial Officer, Fagerhult Group AB

A

Yeah. I'll start, I think, Mats and I think Bodil can finish off. As we said a couple of times on the call, we weren't happy with the Q4 results. The initiated cost savings during late Q3 into Q4 have been too slow to materialize. I think we made reference to that in the report, and that will accelerate on those areas during Q1. But also, given the continued soft, unpredictable market conditions, we will increase our activities across other luminaire brands in the group for enhanced cost reduction measures. We did put in the Q3 the anticipated payback, if you like, from the IACs that we took in Q3. And we don't see any reason to change that, but for three months longer given they have been taking time to come through. And then, when we look at other areas across the group, we are leaving no stone unturned.

Bodil Sonesson
President & Chief Executive Officer, Fagerhult Group AB

A

And I think that is what we're doing. So, if you look into before where we had activities or restructuring activities in three companies, you now heard us speaking about closing down in Fagerhult in Dubai where we took some costs already in Q4. We don't expect any more costs there, but we will have activities and we're doing cost activities in all of our brands. So, therefore, you will see more things coming through the first half year. Will that create more special restructuring costs? We don't have a full view of that yet because it's different types of activities in all the different businesses. There is not one general activity that we're doing in terms of taking costs down.

Mats Liss
Analyst, Kepler Cheuvreux SA (Sweden)

Q

Great. Thank you. Yeah. Very good. And then looking at the orders for [indiscernible] (00:34:05) and should we expect this to be a good proxy for sales during the first quarter now or is it more – well, could you say something about the lead times there?

Michael Wood
Chief Financial Officer, Fagerhult Group AB

A

Lead times have come back in quite a lot since supply chain crisis days. And typically, for our regular indoor lighting businesses, you've typically four to six, seven weeks lead times. So, the order intakes in a particular month will have the capability to affect the net sales output in the following months. When you're looking at some of the more engineered solutions, shall we say, particularly in outdoor, you've probably got an 8 to 10 week delivery lead time from our operations. And we expect to be in a similar position, we think, as we go through the earlier part of 2025. Some brands will remain better than others. Some businesses will remain better than others. But we still do expect, Mats, quite a high degree of volatility and uncertainty. We're not seeing anything around us yet that gives us any message that some consistency to our activity levels will come through.

Now, we are aware at the very, very front end of the train in new-build construction, there are some signs of some improvement coming through. But in the areas that we address in new-build construction, again, in the CEO's comments on the report, we are towards the end of that cycle. It's good that it's beginning to happen at the front of the train because it then means only a period of time before it will affect us, which are offset with project specification lighting in the rear of the train.

Bodil Sonesson
President & Chief Executive Officer, Fagerhult Group AB

A

And I think what Michael is saying as well, Mats, is that, I mean, there is nothing specific that we had a few years ago. So, therefore, I think the normal time that you see is a good indication. So, of course, what you see in Q4 will have an impact at the beginning of the year in terms of the order intake.

I also wanted to say because I've been getting the question a few times and it's related to that as well because we've seen some companies saying that the infrastructure market is getting better, and we see that, too. So, we see quite a few infrastructure projects, but we don't necessarily see all of those infrastructure projects in business area Infrastructure, but we see them in other also business area Premium, for example. So, we see a good activity level in specific areas in line with, I think, what the market is seeing as well.

Michael Wood
Chief Financial Officer, Fagerhult Group AB

A

And there is more talk today than there has been for the last six to nine months, Mats, about – just picking up on the Infrastructure comment there – about larger infrastructure projects. So, I think some of the delays, fingers crossed, on these larger ones might become into a bit of an end in some brands, in some areas, in some countries. I did say on the last call, Q3, that at some point the delays have got to come to an end. And whilst we're not there yet, we are hearing around us more talk around some of the larger projects. So, we remain hopeful for the first part of 2025.

Mats Liss
Analyst, Kepler Cheuvreux SA (Sweden)

Q

Great. And then component supply. Is there anything to say about that? I mean, lots of things are happening globally [indiscernible] (00:38:08)

Michael Wood
Chief Financial Officer, Fagerhult Group AB

A

Yeah. No, we've not noticed anything that's reportable, shall we say, on component supplies. We carry on. We are aware of the word tariff and we are watching closely, but nobody knows yet what the suggestions might be for tariffs from the EU into the USA, but that's a part of our business. But when it comes to some critical components, LED electronics, we're not noticing anything that is worth reporting.

Mats Liss
Analyst, Kepler Cheuvreux SA (Sweden)

Q

Great. And finally, just above the tax line that it was a bit higher than I expected. Could you give some comments there?

Michael Wood
Chief Financial Officer, Fagerhult Group AB

A

Yeah, two things, most definitely. Probably the most significant in the quarter was we made a provision of SEK 11.5 million for a potential transfer pricing topic dating back some seven or eight years. One of our businesses had a tax inspection, and they come around every now and then. They always like to find something. So, we've made a prudent provision for that in our Italian business. I think it says in the report. And the second thing, during 2024, we made higher taxable profits in some areas with a higher tax rate sovereignty. So, that was – whilst you can only tax profitable numbers, when the mix shifts to be more profits in higher tax regimes than lower tax regimes, then it does have an impact on the overall group ETR.

Mats Liss
Analyst, Kepler Cheuvreux SA (Sweden)

Q

And what should we expect for 2025 by and large?

Michael Wood
Chief Financial Officer, Fagerhult Group AB

A

I think returning more normal to around 30% level in the current year is probably going to be more balanced. The provision has been made. We'll report on that maybe going forward if anything changes regarding it. But I don't anticipate anything lower than 30% going forward in the short term, one to two years.

Mats Liss
Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. Great. Thank you.

Michael Wood
Chief Financial Officer, Fagerhult Group AB

A

Thanks, Mats.

Operator: There are no more questions from the telephone conference at this time, so I hand the word back to you, Magnus.

Magnus Haegermark
Head-Mergers and Acquisitions, Fagerhult Group AB

Thank you very much. There are a little bit more time left so we can take questions from participants in the call, but we don't have any in the queue here. So, I will hand back to Bodil for any last comments.

Bodil Sonesson
President & Chief Executive Officer, Fagerhult Group AB

Okay. So, I think as my last comments, coming back to the slow market conditions in the construction industry continue to affecting all of the lighting industry. So, our response in the short term is, therefore, higher and wider focus on cost control. That doesn't change, though, that we continue to see many growth opportunities on the market, and we maintain our high level of investments in product innovation. And we also see our smart, sustainable solutions continue to increase in sales. And that is very encouraging for us. And finally, we also continue our work in researching for interesting M&A opportunities.

I think that's all for today.

Magnus Haegermark

Head-Mergers and Acquisitions, Fagerhult Group AB

Thank you, Bodil and Michael. And thank you, everyone, for joining today for this conference call. Next, we will publish our Q1 results on April 28, 2025. And we will host the webcast the same day. Have a nice day. Thank you.

Bodil Sonesson

President & Chief Executive Officer, Fagerhult Group AB

Thank you, everybody.

Michael Wood

Chief Financial Officer, Fagerhult Group AB

Thank you.