

NIBE INDUSTRIER'S (PUBL) CEO AND MD, GERTERIC LINDQUIST, COMMENTS ON THE YEAR- END REPORT, 2024

A year characterized by several challenges but with clear signs of improvements in a market that remains slightly cautious

The final quarter of the year confirms the clear signs of improvements we have seen since mid-2024, although the market remains slightly cautious. Inventories in the distribution chains have returned to acceptable levels in the majority of our key markets, and we also note an underlying healthy demand from end customers. This means that demand is now also reaching manufacturers. We are also pleased to see the positive effects that the downturn in interest rates is having on consumers. The majority of the investment program confirmed in 2020 has now been completed, ensuring that we are well prepared for the coming increase in demand. During 2025, this, together with the action plan that has now been fully implemented, will help us to return to an operating margin level within the historical range of each business area.

In the final quarter of the year, we could see that, in line with previous assumptions, demand continued to improve compared with the previous three quarters.

The clear inventory reductions in the distribution chains have led to more acceptable inventory levels, which in turn has had a positive effect on manufacturers. In addition, falling interest rates, together with expectations of possible further cuts, are starting to have a positive effect on end consumers. Our completed action plan also had a positive effect on results in the quarter. All in all, we see clear signs of improvement in a still slightly cautious market.

The Group's sales in the fourth quarter amounted to SEK 11,025 million, down by 5.4% compared with the corresponding period in the previous year. However, our view is that the drawn-out decline has bottomed out and that we are starting to see tentative, positive growth.

Operating profit adjusted for items affecting comparability declined by 29% in the quarter compared with the fourth quarter in the previous year. Again, our assessment is that the downturn has bottomed out and that the operating margin will gradually improve in 2025.

Distributors' inventory adjustments having the expected effect

Since the half-year mark, we have seen clear indications that inventory adjustments in the distribution chains have had positive effects on manufacturers, particularly in respect of heat pumps and stoves. Following four quarters of lower demand at the manufacturing level, we are now seeing signs of an improved balance between the number of products manufactured and the number of products actually sold to consumers.

In the German market, the distribution chains have been slower to reduce inventories but, here too, inventories are expected to return to more acceptable levels within a quarter or two.

Lower interest rates give cause for optimism about the future

The fact that interest rates have been falling for just over half a year and are likely to continue to fall further is creating the conditions for an improvement in the economic situation. This will lead to better general spending power and a higher demand for e.g. new production of housing.

The crucial transition

Despite all the warning bells, the transition to a more sustainable society is progressing far too slowly. However, in the circumstances, we are doing everything in our power to contribute to the necessary transition. Our products, of course, play a crucial part in this mission but we are also constantly working to disseminate information aimed at both political decision-makers and the general public in all our markets.

Action plan completed

In the first quarter, we launched an extensive action plan aimed at adjusting operations to developments in demand, which was expected to result in a significantly lower long-term rate of growth than had previously been forecast, particularly with regard to heat pumps and stoves. The action plan has now been fully implemented in a consistent and purposeful manner.

When the action plan was launched, the full annual savings for 2025 were estimated at around SEK 750 million, and the non-recurring cost of the plan was estimated at around SEK 1.095 million. Now that the action plan is completed, we can report the full annual savings resulting from the action plan are approx SEK 800 million and the non-recurring cost of the plan was SEK 1,152 million.

In 2024 about three-quarters of the total annual savings, calculated on a rolling 12-month basis, were realized.

Acquisition-related revaluations

The review of future expected additional consideration payments has resulted in a reversal of SEK 579 million in the fourth quarter as a consequence of the weaker market during 2024.

Looking back at the financial year

All three business areas spent a lot of time and energy implementing the action plan. In line with NIBE's values, the action plan was carried out in a consistent but nonetheless humane manner. The cost-saving requirements were stringent but, at the same time, the employees who we had to let go were treated with respect and also offered fair compensation.

Because product development and marketing initiatives have, in principle, been exempted from savings, we were able to launch a large number of new products during the year, as planned. Throughout, the aim has been that our customers should not have to suffer because our industry, including us, has been hit by lower demand for the reasons described earlier.

The highly ambitious investment program that has been underway since 2020, and which has now been largely completed, has enabled us to create good opportunities for future rational expansion.

The investment program and the expected gradual recovery in demand form the basis of our

aim to return to an operating margin within the historical range of each business area during 2025.

The Group's sales for the full year amounted to SEK 40,521 million. Operating profit, adjusted for items affecting comparability, for the full year amounted to SEK 3,226 million.

Investments for the future

The Group's total investments for the full year 2024 amounted to SEK 2,328 million, compared with SEK 13,037 million in the corresponding period in the previous year. Of the investments, SEK 104 (9,185) million related to acquisitions of operations, which means SEK 2,224 (3,852) million comprised investments in existing operations. The majority of the investment program of SEK 10 billion decided in 2020, has now been completed. The remaining investments in buildings will be completed in 2025. The remaining investments in expanding capacity will gradually be implemented as needed to meet an increase in demand.

Outlook for 2025

- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times in which we are living.
- We are well prepared to continue being proactive on acquisitions.
- Our internal efforts to enhance efficiency, combined with our rigorous cost-control measures, will ensure consistently healthy margins.
- All three business areas have a good geographical spread, which makes us less vulnerable to local downturns in demand.
- Our decentralized organization, based on independent units, is well proven and creates the conditions for greater motivation and flexibility.
- The more acceptable inventory levels in the distribution chains will promote demand at the manufacturing level, while the continued fall in interest rates will act as a stimulus for general consumption and, therefore, for economic activity.
- The effects of the current security situation around the world, a political development that is difficult to assess in both Europe and North America as well as in Asia, and the price volatility in relation to different types of energy, are difficult to predict.
- However, as is our habit, and based on experience, we remain optimistic about our long-term performance, even though, in view of the above, it is difficult to assess the situation.

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About Us

NIBE Group

- an international Group with companies and a presence worldwide

The NIBE Group is an international Group that contributes to a reduced carbon footprint and better utilization of energy. In our three business areas – Climate Solutions, Element and Stoves – we develop, manufacture and market a wide range of environmentally friendly, energyefficient solutions for indoor climate comfort in all types of properties, plus components and solutions for intelligent heating and control in industry and infrastructure.

Since its beginnings in the town of Markaryd in the Swedish province of Småland more than 70 years ago, NIBE has grown into an international company with an average of 22,500 (21,300) employees and an international presence. From the very start, the company has been driven by a strong culture of entrepreneurship and a passion for corporate responsibility. Its success factors are long-term investments in sustainable product development and strategic acquisitions. Combined, these factors have brought about strong, targeted growth, which generated sales of just under SEK 47 (40) billion in 2023.

NIBE has been listed under the name NIBE Industrier AB on the Nasdaq Nordic Large Cap list since 1997, with a secondary listing on the SIX Swiss Exchange since 2011.

Image Attachments

[Gerteric Lindquist NIBE Group 2](#)