

NIBE INDUSTRIER'S (PUBL) CEO AND MD, GERTERIC LINDQUIST, COMMENTS ON THE THIRD QUARTER, 2024

A somewhat more stable market and a more aligned cost structure.

After a period of major adjustments, we are heading towards a slightly more stable market with a more aligned cost structure. The inventory reductions in the distribution chains are starting to have positive effects for manufacturers and we see an interest rate development that is favorable for all of the Group's three business areas.

The inventory reductions in the distribution chains that have been taking place since the third quarter of the previous year are now starting to have positive effects for manufacturers. The interest rate development is also pointing firmly downwards, which most probably will have a positive effect not only on general consumption but also on production of new housing and the inclination to renovate existing properties. Our earlier assessment that the second half of the year would show a gradual improvement in demand in all three of our business areas remains valid.

The action plan we introduced in the spring has largely been implemented and will be completed in the fourth quarter of the year as planned. The full effect of the measures will be seen in 2025.

The Group's sales fell by 15.7% in the nine-month period, compared with an increase of 23.2% in the corresponding period in the previous year. Organic sales decreased by 20.0%, compared with organic growth of 17.4% in the first nine months of the previous year.

Operating profit adjusted for items affecting comparability declined by 61% in the period compared with the corresponding period in the previous year, and the profit margin declined from 15.4% to 7.1%. Adjusted profit after net financial items fell by 75.7% and the adjusted profit margin declined to 4.1% (14.2%).

Inventory adjustments yield results

Most of the nine-month period has been characterized by large inventory adjustments in the distribution chains, particularly with regard to heat pumps and stoves. This has meant that demand at the level of the manufacturers has been weaker than the underlying demand from end consumers.

Since the half-year mark, we have seen clear signs in the distribution chains that inventories have fallen to more acceptable levels in the vast majority of markets, which has had a positive effect on manufacturers.

The German market remains an exception, however. Our assessment is that it will take a few quarters for inventory levels in this market to be more in line with other markets.

Interest rate development has a positive effect

The sharp and rapid interest rate increases in 2022 and 2023 made a critical contribution to lower general consumption, a near standstill in new production and refurbishment of residential property and higher unemployment in several countries. Overall, this development had a significant negative effect on demand for, for example, both heat pumps and stoves.

As inflation currently seems to be falling back towards pre-pandemic levels, the negative effects of the interest rate hikes have become apparent. In the last few months, the argument for increasing interest rates has therefore turned into a great eagerness to cut interest rates to boost economies.

This development will probably have a positive effect on both general consumption and demand for new production and refurbishment of property.

The transition

Despite all the apparent warnings that all is not right with the climate, we are sadly lacking a unifying force and consensus between countries and continents on the necessary measures.

The transition to a more sustainable society is progressing far too slowly, largely due to prices favoring fossil fuels while electricity is constantly subjected to new taxes and charges.

The transition is nonetheless unavoidable and we are therefore working tirelessly to both communicate this message to decision-makers at all levels and to supply the market with new, more environmentally friendly and more resource-efficient products.

Action plan nearing completion

As previously announced, the first quarter saw the launch of a comprehensive action plan in order to adapt the business to the prevailing demand at the time.

At launch, the annual savings were estimated to be around SEK 750 million, at an estimated non-recurring cost of approximately SEK 1,095 million.

The action plan has largely been completed. The remaining part will be implemented in the fourth quarter, when the final cost of the programme and the full annual savings will also be determined. The full annual earnings effect will be achieved in 2025.

Business area trends

In the nine-month period, all three business areas spent a lot of time and energy on the implementation of the action plan.

In line with NIBE's values, the program was implemented consistently but also compassionately. The cost-saving requirements were stringent, but at the same time the employees who were let go were treated with respect and also offered fair compensation.

Because product development and marketing initiatives in principle have been exempted from cuts, we were able to launch a steady stream of new products in the period. Throughout, the goal has been that our customers should not suffer as a result of the fact that we have been hit by lower demand due to very specific reasons.

Thanks to the very ambitious investment program that has been implemented, we have also created good opportunities for future rational expansion. The investment program, a gradual recovery in demand and the effects of the action plan implemented during the year form the basis of our aim to return to an operating margin within the historical range of each business area during 2025.

Investments for the future

The Group's total investments in the first nine months amounted to SEK 2,018 million, compared with SEK 10,908 million in the corresponding period in the previous year. Of the investments, SEK 29 (8,631) million related to acquisitions of operations, which means SEK 1,989 (2,277) million comprised investments in existing operations. Excluding leases, the depreciation rate was SEK 1,088 million, compared with SEK 922 million in the corresponding period in the previous year. Of the investment program of SEK 10 billion decided in 2020, the bulk, or just over SEK 8.8 billion, has now been completed. The remaining investments in buildings will be completed in 2024/2025, while further investments in capacity expansion have been postponed pending an increase in demand.

Image Attachments

[Gerteric Lindquist NIBE Group 3](#)