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Fagerhult AB (FAG.SE)

Q2 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello and welcome to today's Fagerhult Group Interim Report for Q2 2022. My name is Jordan, and I'll be coordinating your call today. [Operator Instructions]

I'll now hand over to Michael Brüer to begin. Michael, please go ahead.

Michael Brüer

Chief Strategy & Communication Officer, Fagerhult AB

Thank you, Jordan. Hello, everyone, and welcome to the presentation of Fagerhult Group's results for the second quarter. My name is Michael Brüer, responsible for strategy and communications here at Fagerhult Group. On the call today, we also 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 and activities during the second quarter. Bodil will then continue to update us on one of our focus areas, being innovation and describing a few of our latest product innovations from our brands. Michael will then give you more details about the performance of the group, and Bodil will conclude with a brief recap and afterwards we will open up for questions.

We will first allow questions from the conference call. Then we will allow for questions from the webcast, and you can post them there in the [indiscernible] (00:01:27) 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 Bodil.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

Okay. Thank you, Michael, and welcome, everybody, from my side as well. So, the second quarter was very similar to the first quarter, with positive high market activity and also the challenges on the supply chain somewhat limiting on net sales numbers.

We continue to see an increased importance of renovation driven by long-term need for renovation for decreasing buildings' carbon footprint in-line with the climate goals, and you know currently lighting stands around 15% of the energy consumption in Europe. We have very good possibility to lower this thanks to use of modern technology.

We also – with raising energy pricing, we also see an increased awareness for the importance of using lamination with connected solutions. So we expect to see renovation trend becoming stronger as we go.

Very important to us is that the rolling 12 numbers – 12-month order intake is now ahead of SEK 8 billion, which also means that it's ahead of 2019 numbers. So, we showed a healthy growth in net sales in the quarter with 6.5% order – with organic growth in the second quarter.

We saw, as I said, the supply chain challenges continue in the second quarter and I would say, they were slightly worse than in previous quarters. And currently, we see some slight signs of improvement, although challenges are not over yet and will continue to have an influence.

Also, in Q2, we were impacted by the challenges and the world around us. In addition to the supply chain challenges of electronics, we were impacted by lockdowns in Shanghai and indirect consequences of the war in Ukraine.

One example is the challenges in transportation from Asia that prior went by train from China via Russia to Europe, that now goes by boat instead. We also have an impact of the increased energy pricing in some of our factories.

We continue, though, with very high customer service levels and to manage the challenges in a resilient way. And I believe, like many organizations, we have learned to become very agile and flexible in the last two years.

We have had, though, a negative impact on the operating margin driven by the supply chain challenges and cost pressures in the market. We continue to work very actively with our pricing adjustment, and in some cases the pressure on the operating margin is explained by delay in adjusting pricing having full impact.

We are a very strong project organization, which means that the cycle is quite long from initiate the project until we deliver. We also have increased our investment level in some areas, mainly regards to sustainability and innovation, and that will benefit future growth.

On the sustainability side, we continue our very high activity level and we have during Q2 defined our baseline for all our factories around the world, and we now have a full view of our carbon footprint in both Scope 1, 2, and 3.

This is in preparation for Science Based Target and, of course, to continue to drive our sustainability and in-line with our mission statement. So, as Michael mentioned, I have in my special topic session today chosen to present a few new solutions from the group, and you will see that they are all sustainable lighting solutions.

So then let's have a little bit more look on the Q2 numbers. We had an order intake of SEK 2.183 billion, a slight organic decrease compared to last year, but still a very good quarter for us, well above SEK 2 billion. We also had a good quarter in net sales, as I mentioned, with 6.5% organic growth and SEK 2.045 billion in net sales.

And as prior explained, we have had some pressure on the operating margin that landed at SEK 185.6 million, or 9.1%. So still at very healthy levels. And we ended the quarter with a very strong order book, and the order backlog is SEK 2.484 million (sic) [SEK 2.484 billion] (00:06:17), which is an increase compared to 41% if you compared to last year.

And as always, Michael will come back with much more detail – the other Michael – later on in the presentation with regards to the financial numbers.

So, when we look into the half year numbers, our performance for the first six months has been strong and resulted in good numbers. And we have been able to benefit from the high level of market activity and, as I said, we have a record high order book.

Net sales would have been stronger without the supply chain challenges and still the organic increase is a healthy 7% for the first six months. And the organic order intake is 5.9%, also adjusted for currency effects.

So, also we have shown a lot of resilience in dealing with the challenges in the external world, and we're again posting a strong half year EBIT of SEK 360 million, or 9.2% in EBIT margin.

So, if we look at the slide of our operating model. So the special topic of today will be around innovation and new product development. Innovation, including new lighting solution and connectivity, is one of our strategic focuses both on a group level and also, of course, extremely important for the different brands that all have their own product development agenda.

And I would say the essence of innovation for us is with the goal to bring our deep knowledge of lighting and close connections to our customers into our product development agenda.

We have in the latest webcast been speaking about connectivity, which is also one important aspect of lighting solutions today. The same goes for sustainability that is a guiding star for us in all of our new product development. This has a very wide impact on both materials, how we design for modularity, the recyclability of the solution, as well as the packaging around the products.

So, you could say we look into both the carbon footprint and we also look into circularity.

And another very important aspect for us is designed excellent light quality and to develop products for our targeted customer applications. So, good lighting quality is a very strong element of our DNA as a group and important for us as human beings, not to forget, we spend as much as 90% of our time indoor and having good light around us has an impact on our well-being.

So, I will, in the next few slides, give you a flavor, and I think this is the first time we're giving you a flavor of some new products in these webcasts that we have been launching in the last six months, taking into consideration both the customer application, the design element, lighting quality, and sustainability.

So, let's look at the first one, which is Light Shed, and it's a [ph] design (00:09:15) product from iGuzzini that comes in many versions and shapes, so it's a full product family actually. And in addition to very good lighting, it also absorbs noise and diffuses sound.

It is – respond to the trend of increased well-being in the working environment and a trend that we have seen increasing after COVID and where we also see new ways of working and new demands from the customers. Of course, it also has a focus in the environment and it's 100% compliant with the Ecodesign.

And the thermal foam body is made of ABS material, which is derived from 40% recycled materials and screen is in 100% recyclable PMMA. Also, the packaging material is made of the recycled material and the product is very light. It's 1.8 kilo, which means that it uses less power to produce and also to transport.

For us, going forward, using new lighter materials will be an important focus, as it has a high impact on our carbon footprint. And the product has been built without glue, which means that it's extremely easy to take apart and repair when needed. And that's the circularity aspect. And then, of course, also makes it easier to recycle. And as you can see on the slide, it's already been winning both a Red Dot Award and a Design Award.

Next one is for a completely different segment. This is Stromma, which is from our brand design plan. And they're focusing on challenging environment in transportation, custodial, and secure healthcare applications.

So, they typically do products with focus on durability, and therefore a ruggedized IP65 solution. It's been designed specifically for the transportation sector to make sure that the infrastructure is future proof and it's very easy to upgrade. So, removable gear tray means that when you need in the future, you can very easily change only the light engine without making any changes to the rest of the installations.

And in the railway segment, in many markets in Europe, the shift to LED still needs to happen, and this becomes very urgent both, of course, from an energy efficient perspective, and it will also be very difficult to get replacement for the traditional lighting solutions they have.

The new Elizabeth line that was opened in London in May and that will see 200 million users within full use is one example of design plans, very nice projects in the railway segment.

Next product is from all around the world. This is a solution. It's called Silencio: Arin. It's a solution from our Australian brand, Eagle Lighting, that has focus on education, healthcare, and offices. And this product is specifically designed for offices and education, and is taking care of our wellbeing, both from good lighting quality and from decreased noise level, which might sometimes be good in an educational environment.

The luminaire body is made from a sound absorbing fabric and is declared Red List free. And you can compare Red List with the nutrition index for the building industry, guaranteeing that it's free from any negative substances in a very transparent way.

As from a sustainability perspective, 60% is recycled material and the product has a complete EPD, which is an environmental product declaration. So, full transparency on all the environmental data. As you can see, it has an organic response sensor integrated, so it's very easy to connect, and therefore able to save another additional 70% on the energy side.

When we go to the last product family and I will end with the product family from iGuzzini with a special Touch, as you can see. And we launched it this at the Design Week in Milano in June in Salone del Mobile, and they actually launched a full new series of iconic Italian design products under the name of Italian Echoes.

So, this is part of our heritage and all designed by famous Italian designers in the 1960s and the 1970s, like Luigi Massoni and Gio Ponti. So, very iconic design, but of course, today equipped with modern technology and sustainable recycled materials that are a little bit different than in the 1960s.

And you can see – if you look at all these lighting solutions that I've been showing you, they all have a common theme of sustainability, design, and good lighting quality, and at the same time they're developed with very different customer groups in mind.

So, I hope with that I gave you a little bit of a flavor. And with that, I will hand over to Michael to give you a much more detailed financial information.

Michael Wood

Chief Financial Officer, Fagerhult AB

Hello. Thank you, Bodil. So, little bit more granular on some of the financials looking at the second quarter first of all. The group's strong start to the year from Q1 continued through Q2 with solid growth for order intake and net sales.

The external environment, as Bodil has mentioned, continues to provide challenges and we are dealing with most of them in a very good way. We continue to execute on projects, delivery of projects, and provide a good level of service to our customers.

The group's focus and ambition turns to growth, and this will be a recurring theme for us that you will hear. And this focus is delivering with a continued strong order intake for the second quarter, SEK 2.2 billion, the same as for the first quarter, and that's SEK 8.8 billion on an annualized basis, some 10% above the pre-COVID level.

Quarterly organic net sales grew 6.5%, and this continues at a very similar level to the first quarter. This is despite the ongoing supply chain difficulties for component availability and logistics.

Cost pressures, of course, are widely felt and publicized within all industries, not just in lighting, and they cover components, logistics, and utilities, and our reaction has been and continues to be to implement further price increases.

Obviously, in project lighting, there is a time delay for these prices to be fully effective, and that explains the majority of, in our view, the temporary dip in operating margins in the quarter.

We are confident that this will correct itself when these prices and time delays neutralize. The group is also investing in the chosen strategic areas for the future, those being predominantly innovation, sustainability, and people.

The operating profit of SEK 187 million delivered a 9.1% operating margin, which is adverse to last year for reasons explained and is flat compared to the first quarter. Earnings per share at SEK 0.74 has the benefit of reduced financial items in the account for the second quarter and the lower tax rate.

And lastly, no dilutions due to minority interest that we did incur in previous years. Cash flow improved a little, you can see there SEK 20 million in the quarter, improved a little in the quarter and I'll come back to that at a later date.

If we now move to the financial summary year-to-date. The half year position reflects very well the performance, which was similar for each of the first and second quarters, with approximately 11% overall growth reducing to 7% at the organic level.

The operating profit at SEK 360 million is flat for the half year compared to 2021, and the operating margin is steady at 9.2%. And as advised earlier, it's temporarily lower due to cost pressures and strategic investments for the future.

Due to the lower financial items and lower tax rate, net profit is ahead for the period at SEK 251 million, and this creates a higher earnings per share of SEK 1.42 compared to the SEK 1.31 from last year.

The development in the rolling 12 months net sales continued on a good trend, and that is very clear to see. The challenge for us is to get back to being above pre-COVID levels, and that has already been achieved for the rolling 12-month order intake levels, and the net sales levels continues to close the gap to the 2019 pre-COVID level.

We anticipate that this would have been achieved, but for the component shortages. But it is now just a matter of time as the momentum is high and the trend is positive.

Margin development, quarterly operating margin at 9.1% is adverse to last year, we've explained why. And this is expected. We expect this to improve as the pricing improvements continue to take positive effect and the volumes continue to grow. For larger scale producers in the industry, the operating margins remain healthy compared to what we see on the market.

Okay. A little bit into the business areas now. You're familiar with the four of our business areas, and we traditionally begin with Collection. The ongoing high activity in the high-end specification market continues, and our order intake level in the quarter and half year is a record for business area Collection, and this provides confidence in the short to medium term.

The business area operating margins are now beginning to become more consistent, compare the line chart on the right hand side, far more stability is what we see that, evidence in the work in the businesses have been doing in this area. The next step is to develop the operating margin for the whole business area and there are many ongoing projects in this regard.

Coming to Premium now. The Premium business area, remember, is predominantly European focused. The Premium business area continues its solid performance with consistently high operating margins. The business area is somewhat more affected by the component availability challenge.

It's a portfolio mix of products serving the markets and it comprises the more complex electronics for indoor dimming applications and outdoor lighting, in these two areas where we see increased levels of component challenges and that's not just this quarter, but that is a consistent message that we've had in the last three to four quarters.

In BA Premium, we see good cost control and a high focus on profitability.

Moving to our third business area now, the Professional business area. The Professional business area results continue to be below expectations, and this is not satisfactory. We continue to see a lower level of success in recovery of supply side cost pressures, and this is a key focus area for the remainder of the year.

We are working on many specific projects and the activities to improve this situation. The situation in the business area is made more challenging as a result of the very weak Turkish lira.

Finally, with business area Infrastructure. The growth trends are positive in Holland and the UK. The operating margins are quite consistent, as you can see from the chart. There is a high focus in the chosen application areas, where in the UK and Germany we see very high level of activity level in the market, and we are well-positioned to take advantage of this.

So that would come back to cash flow. Yes, on one arm, we are pleased that the operating cash flow turned positive in the second quarter, albeit only marginally, about SEK 20 million.

The year-to-date operating cash flow remains negative, as there have been a natural increase in accounts receivable of SEK 183 million due to the sales growth – one would expect that – and an increase of SEK 417 million in inventory levels to actively and proactively overcome the component shortages.

We will return to increasing the stock turn ratio and generating cash here in the coming quarters. We feel now is the right time to begin to address this topic.

Net debt development. First of all, it's important to remind us that the chart for net debt is adjusted for IFRS 16, and the chart for net debt/EBITDA ratio is adjusted for IFRS 16 and acquisitions and/or disposals at the appropriate time.

We report a closing net debt/EBITDA ratio of 2.39, and you can see there a slight increase on the previous quarter for reasons explained fundamentally, the increase in inventories. But the net debt ratio remains under control and will reduce in the coming quarters as working capital is addressed.

Finally, earnings per share. A reminder here that we have adjusted the 2020 numbers to eliminate the somewhat artificial and high positive impact of the 2020 Italian tax legislation so as to provide a better underlying view of the earnings per share.

And you can see the year-to-date earnings per share continues to develop with the rolling 12-month now approaching SEK 3 per share. Our ambitions here are, of course, to continue to develop and grow the EPS and the growth strategy will support this ambition.

So, from me a short summary before handing back to Bodil for closing. So, what would I say in summary? I would say, order intake continues to grow very well. The order backlog position remains very healthy. Net sales also continues to grow despite the ongoing external challenges that we all face.

Price increases are having a positive impact, both ongoing cost pressures and further time for further price increases to come through is a reality. And operating margins are temporarily affected, although they remain at a decent level compared to the industry.

And with that, I shall hand back to Bodil.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

Okay. So just a short conclusion and recap from my side, which would be that we see continued high level of activity and we win, I would say, very good projects. And in general we see an increased focus on the renovation side, and we expect this to continue and even increase for the long future time.

We are well positioned for this. It's been in our focus for a long time. And both the focus on innovation and sustainable solution, of course, helps. And I've illustrated this today with a few examples, and there are many, many more in the different brands. And in general, the sustainability initiatives have had very positive effect on creating new solutions with an innovative mindset that inspires to creativity.

As I stated already in the last report, the global supply chain challenges continue, and we expect them to continue at a similar level until at least for 2022. So we will continue to do everything we can to mitigate the challenges and continue that we serve our customers in the best possible way. And I think, as I said, we see some slight signs of improvement, although being slight.

And on the numbers, I would call the net sales growth very robust with 6.5% organic net sales. And most importantly, as Michael pointed out, we have an order intake of above SEK 8 billion, which is a first milestone for us.

And we continue to take actions to mitigate the inflationary pressure that gives a temporary dip on the operating margin. We also see – I would say, in all our different strategic initiatives, we continue to see good progress. And I hope that today, I was able to give you a flavor for innovative, sustainable lighting solutions.

So I think with that, we will end the presentation for today and open up for questions. So, I will hand over to Michael Brüer to take your questions.

Michael Brüer

Chief Strategy & Communication Officer, Fagerhult AB

Thank you, Bodil. And we might ask Jordan here to open up the telephone line for questions.

QUESTION AND ANSWER SECTION

Operator: Of course. [Operator Instructions] We have a question from Mat Lake (sic) [Mats Liss] (00:27:18) of Kepler. Mat (sic) [Mats] (00:27:19), please go ahead.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah, hi. Thank you. Well, couple of questions. First, I mean, you have a substantial order backlog now. And, well, my question is sort of, well, do you experience any sort of delays in deliveries as you have experienced during the last couple of quarters? And also if sort of, well, the contracts you have on the order, are you able to sort of compensate for cost increases or there's sort of – could you give some more flavor about that, how you compensate for costs themselves?

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

A

Hey, Mats, nice to hear you. I can start and Michael will add on. I think that from an order backlog, yes, we are not able to deliver everything that the customers want us to deliver currently. So we have a delay. There is differences in different segments and in different businesses.

As Michael said, I think we have more challenges in the high-end drivers in terms of availability, for example. So, there will be differences into different customer segments that we deliver to. There will also be differences into the different businesses where we are. but there is still – we haven't quantified this how much it is, but it hasn't changed.

It hasn't become better during the quarter. I would rather say that it's been worse during this quarter, especially at the beginning of the quarter. It's been a little bit better at the end. but April and May were very difficult from a supply chain standpoint.

Then when you look into are we able to compensate from existing contracts. there is not one answer to that either, but it's a little bit – in some cases yes, because we have some cases we have inflationary index, and we also have been working on these pressures. I mean, we saw this happening more than a year ago.

So, we've been very active working with the inflationary matters, I would say, since last spring. So, in many cases, we have been taking [ph] hike or (00:29:46) we've been introducing some inflationary part into our contract, but it's not covering 100% of our order backlog.

So, there has been different [ph] needs (00:29:57). And it's also a little bit the reason why we have such a high stock, because in some cases they've been compensating by bringing the stock in earlier for what they're going to deliver.

Operator: As a reminder if you – go ahead.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

A

So, I was going to ask Michael if he wanted to add something.

Michael Wood

Chief Financial Officer, Fagerhult AB

A

Not too much. I think that the question – your response about the delay, it's a little bit tougher in the first part of Q2, a little bit less than that as we exited the quarter. So some green shoots of some things, but I don't want to say it's all gone, because it's far from all gone.

The challenges on delays in the supply chain to our factories, to our customer bases will be here for 2022. We know that. We are dealing with it in a very good way, and very proactive and professionally effective way. So that is what we are doing today.

The impact remains about the same in the sense of the impact of the net sales number on a weekly, monthly, quarterly basis is getting no worse. And then when it comes to cost, yeah, we operate in a project lighting world where you shake hands and you make a quotation and receive an order, and therein you're bound with the contract terms and very often you execute the set prices.

So it does take a little bit of time for the increased price levels of our luminaires to come through. We saw some of that come through in the first quarter of this year from cost increases in the second half of 2021. And then, of course, the inflationary agenda hit again in the back end of Q1 going into Q2.

So, we're in that second cycle now of further cost and price increases coming through. So, we're confident that that will take place in coming quarters. Yes, confident that that will take place in coming quarters; nothing else to add there, Mats.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Well, you mentioned, well, the margin is somewhat disappointing maybe for some, but I guess – I mean, historically you have been trading at higher margins and this – you mentioned that the sales is back at – order intake is back at 2019 levels.

And is it sort of reasonable to expect you to generate the same kind of margins as you have done historically or are there sort of different setup now with the higher project cost and higher R&D costs to develop these new systems? Could you say something about that?

Michael Wood

Chief Financial Officer, Fagerhult AB

A

Okay. I think there's a – let's just remind us all here a little bit, and we did put the press releases out at the time of the iGuzzini acquisition. So what you see in 2018 is an operating margin 12, 13 percentage points. And then the scale of the group changed overnight in early 2019 with the acquisition of iGuzzini.

And then, 2019 had iGuzzini in the numbers for 10 months out of the 12, and that reset the dials, if you like, for the Fagerhult Group. So previous to 2019, that's not how we are today. And post 2019, we're in that COVID recovery period that we previously mentioned. So, we have to remember that the combination of the group's businesses today is not like it was in the past.

That said, it is possible and we do anticipate – once we get through these external challenges, we do anticipate margin to recover. But I would be wrong, Mats, to stand here and say they will recover to those former points in the pre-scale metrics within the Fagerhult Group.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

A

I think it's also giving some information if you look at the different business areas. You can see that what Michael said before as well, we are getting more stable in Collection. So, we have seen an improvement there, whereas where we have challenges that we are dealing with is more on the Professional side.

So, if we're getting those under control, of course, that will have a positive impact under – which we will get under control, they would have a positive impact on the EBIT margin as well.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. You mentioned the Professional there, and I guess you have – you also indicated you've made some measures to handle the softer situation. Could you say something about that or is it sort of not for the public?

Michael Wood

Chief Financial Officer, Fagerhult AB

A

No, no. We do believe in being open and transparent. Obviously, where in business area Professional there are three entities under severe difficult conditions. The one in Turkey is doing very well, so hats off to the people in Turkey. The one in the north of the UK and one in Australia is having some challenges. And they stem from at least one or two senior management position changes in the back end of 2021 coming into early 2022.

At the moment, we are operating with those two businesses with interim leadership positions, and we are taking our time to recruit exactly the right individuals to lead those businesses in the future. They are in busy active markets, there's no doubt about that. And when we do find the right leaders, those businesses will begin to bounce back, if not a little bit earlier than that.

So, it mainly due to personnel changes, Mats, at the senior level, that we are applying an interim solution at the moment. And then, we are searching high and low for good caliber individuals for the permanent placements within those two businesses, UK and Australia.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. Great. And, yeah, finally could you just remind me about the seasonality of some of the business currently? I mean, ahead of the third quarter here and the holiday quarter, I guess for some industries, but looking back, you have been doing quite well in the third quarter.

Michael Wood

Chief Financial Officer, Fagerhult AB

A

Yeah, quarters two and three tend to be our more active quarters. Quarters one and four are less active quarters. And the more geographical spread we get, the more indoor/outdoor spread we get, the less seasonality is playing a role. We see that in the days gone by. Then Q2, Q3 used to be significantly ahead of Q1 and Q4, but less so today, but we do anticipate a decent level of performance in the third quarter.

For some of our brands, it tends to be the busiest quarter of the year, depends on where you are and which application areas they serve. So, yeah, we anticipate an okay quarter this year, not – sorry, this quarter, and then we'll see where the fourth quarter brings us, but seasonality is not as turbulent as it has been in the past.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Okay. Thanks a lot.

Q

Michael Wood

Chief Financial Officer, Fagerhult AB

Okay.

A

Operator: We have no further questions via the phone lines. I'll hand back.

Michael Brüer

Chief Strategy & Communication Officer, Fagerhult AB

Good. Thank you, Jordan. And thank you, Mats. We have two questions from the webcast. The first one here, you're obviously approaching pre-corona top line, but how far are we from pre-corona volumes?

A

Michael Wood

Chief Financial Officer, Fagerhult AB

Okay. It's a good question, so thank you to the questioner for that one. If I look at the organic net sales growth, it's operating at just about 7 percentage points so far for the six months that we're in. And I would put that – I would break that 7 percentage points down into 3 percentage points would be pricing, and that's why we feel as though there's more pricing benefit to come through, and 4 percentage points is volume growth.

A

If you look at the rolling 12 months order intake approaching SEK 8.2 billion, it's similar metrics in terms of the 5.6% organic growth so far for the six months, but on the rolling 12 months we're at quite a different level.

So, yes, the observation is correct, we're approaching that overall, the pre-corona volume level. And I would take a 3 percentage points out of 7 percentage points and a 4 percentage points out of 7 percentage points as a mix on pricing and volume for both net sales and order intake.

Michael Brüer

Chief Strategy & Communication Officer, Fagerhult AB

Thank you, Michael. And then, there is a last question related to group management here also. So, what's the motivation behind the appointment of a CTO for the group?

A

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

Okay. I think we spoke a little bit about it last time. We see that connectivity is so important for our future development. I think we've done a lot of good things in the last few years and the way we have invested into the technology.

A

And I think the words I used last time when we spoke about it is that our biggest competitor is the ignorance of the market. And that means that the CTO we have employed will come a lot with a market oriented perspective and being able to, together with the brands, develop thought leadership both internally and externally.

So, help us to make sure that we take the next steps in growth in terms of connectivity and getting a much wider penetration into the solutions and helping us in the market.

And coming back to the underlying, where we're saying what I said before was that if we use connectivity, we can take down the energy consumption with another 70%. So, there is a lot of benefits to it and we need to get that message out in the market. I think that's my answer to the question.

Michael Brüer

Chief Strategy & Communication Officer, Fagerhult AB

A

Thank you, Bodil. And with that, we're done with questions for today and may we have some closing comments from you, Bodil.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

Yes, very, very quick one. I'd like to say – would summarize the good first half year 2022 with a lot of indications in the one direction and especially with the order intake and the sales. And we have been – we have a lot of challenges [indiscernible] (00:41:45). We are dealing with them. And we also are dealing with the short-term challenges, and at the same time building for key strategic areas for the future, including building and defining our full carbon baseline so we now can take the next steps on that.

And I'd also like to remind you – to take the opportunity to remind you that we have a Capital Markets Day next week here in Stockholm in our office on August 31. So, we hope to see many of you on the call with us next Wednesday. And if you have not signed up yet, I think that is still possible and we would welcome you to come. So, we are looking forward to that. And we will tell you much more about who we are and what we are doing and what we will do for the future. Yeah, very future oriented.

Michael Brüer

Chief Strategy & Communication Officer, Fagerhult AB

Yes. Thank you, Bodil, and thank you, everyone, for joining today's conference call. And we hope to see you again at our webcast for the third quarter on October 28. So with that, have a nice day.

Michael Wood

Chief Financial Officer, Fagerhult AB

Thank you.

Michael Brüer

Chief Strategy & Communication Officer, Fagerhult AB

Thank you.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

Yes. Thank you. Have a nice day, everyone.

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