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# Fagerhult Group AB (FAG.SE)

Q3 2023 Earnings Call

## CORPORATE PARTICIPANTS

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning everyone and welcome to today's conference call titled The Fagerhult Group Interim Report Third Quarter 2023. My name is Allen and I will be call operator for today. All participant lines be muted throughout the presentation. But at the end of today's presentation, there'll be an opportunity to ask a question. [Operator Instructions] For those who are streaming via the webcast, you can register text questions using the Q&A [ph] text box (00:00:27) provided. I would now like to turn the call over to Michael Brüer to begin. Michael, please go ahead. Now, you're ready.

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**Michael Brüer**

*Chief Strategy & Communication Officer, Fagerhult Group AB*

Thank you. Hello, everyone and welcome to the presentation of Fagerhult Group's Results for the Third Quarter 2023. My name is Michael Brüer, responsible for strategy and communications here at Fagerhult Group and I will be the moderator here today.

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 first quarter. She will then continue to update us on some highlights and innovations launched during the quarter. After that, Michael will follow with more details about the performance of the group and Bodil will conclude with a brief recap, and after which we will open up for questions.

We will first allow questions from the conference call, then we will have questions from the webcast. You can post 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.

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**Bodil Sonesson**

*President & Chief Executive Officer, Fagerhult Group AB*

Okay. Thank you, Michael, and welcome, everyone to this Q3 2023 webcast. So we are very happy to share another strong quarter with a lot of positive parameters with you today. So the only one that did not grow was net sales. And the reason behind that being that Q3 last year was the beginning of the ease in the supply chain challenges where we were able to start to deliver again.

Order intake stabilized and showed growth compared to last year, especially we saw improvements in Collection and Professional, and we increased profitability, thanks to a few different factors. And first, I'd like to highlight good cost control.

And then, we have been speaking about it. And, you know, we are very well positioned with regards to the renovation trend and increased focus on sustainability in our customer segments. And we see this getting and taking increasing path. We've also, as you know, worked a lot with pricing management the last few quarters and years, which also impact making choices with regards to product mix and focus segment. And all of this had a positive effect on the gross margin and therefore, also the profit margin in the group.

So, we continue to see the work in our strategic focus areas progressing. And as Michael said, I'll come back to this in my presentation and for example, our targets for SBTi were validated in the quarter and also we continue to launch new sustainable lighting solutions. Also, the cash flow trend continued very positively from good profitability and we've also reduced inventory levels, as well as account receivables.

So, let's have a detailed look of the numbers for the quarter. So, we had an increase in organic order intake, in Q3 with plus 0.8% to SEK 2.026 billion. Net sales declined with minus 4%, and in numbers, we achieved SEK 2.079. In EBIT number, we delivered SEK 240 million with an EBIT margin of 11.5%. This is the highest Q3 operating margin for several years, and the SEK 240 million represented a growth of 9.6% in operating profit compared to the third quarter last year.

And earnings per share was SEK 0.90, a slight improvement from last year and impacted by the financial cost. We will therefore use our surplus cash to reduce interest expense. So, also, let us have a little bit of a look on the year-to-date numbers, after three quarters. And there, we had the result in order intake, is at minus 4.3% or SEK 6.312 billion.

Net sales are organically positive at 3.2% and SEK 6.45 billion. And operating profit has grown from SEK 579 million to SEK 685 million, which represent an increase with 18.3%. And operating margin has gone from SEK 9.6% to 10.6% when comparing with last years'. And earnings per share is at SEK 2.48. And as always, Michael will give you much more information when we come to the financial section. But first, I'd like to share with you some things that happened in the quarter.

So every quarter in our reporting in these webcasts, we try to give you a flavor of our focus areas. And this time, we'll go back to two different areas of focus, one being sustainable innovation, where I present two new solution, one from Fagerhult Belysning and one from iGuzzini, both launched in the quarter. Both me and Michael this time will give you a glimpse of a few projects that we have done within the different segments. And as you know, we have a global presence with our 12 lighting brands and two smart lighting brands. We cover almost all Professional lighting markets with sales into 10 different Professional customer segments or application areas, as we call them. And that is in everything from office to critical infrastructure, urban spaces, hospitality, culture, et cetera.

I will also give you a short update on our validation of our SBTi targets. That was press released yesterday. But before getting there, I'll give you a summary. If you look into our – that the key numbers in the market that also highlights why SBTi is so important to us, because we can really make a difference being in the lighting industry and part of the construction market.

So what we know is that buildings are accounting for more than 30% of the global energy consumption. We also know that we have an aging building stock both in Europe and in the UK, where the majority will still be there in

2050. So that means if we want to achieve the Paris climate goals, we have to start to renovate more the building stock in a much faster pace than today from around levels of around 1% to at least 3% to 3.5% renovation rates.

And if you look into what Europe is doing with the European Green Deal and also new legislation to ban letting, financing, et cetera, of buildings with low energy classes, all of this is to drive energy efficiency and the carbon footprint.

And then in the lighting industry, we also have the ban of the fluorescent lighting. We have it in Europe, we have it in the UK and we have it in many states in the US. And all of this is having a positive effect in our business.

And if you look at it, lighting is today 15% of buildings' energy consumption. And already today, we have technology available to decrease that with 90%. We save 70% if we go from traditional technology to LED. And there, we need to remember another thing, and that is that in Europe and in the UK, it's only LED in around 35% of the buildings. So already there, there is a lot of unused potential.

Then we add on smart lighting. We can save another 70%, both by making sure the light is only on when used, but also by optimizing the usage. And renovation will be the driver in smart lighting for many years to come as building owners look to reduce costs, optimize energy and leverage smart functionality of these solutions.

Many of the property owners also signed up to SBTi and our Scope 3 is their Scope 1. So, we need to work together to achieve the goals. So, you might have seen our press release from yesterday where SBTi validated our targets. We are, of course, very proud of this and it confirms our strong commitment to address climate change and that our actions are grounded in science and aligned with the goals of the Paris Agreement.

As a reminder, we have committed to both near-term targets for 2030 and a net zero goal for 2045. The near-term targets for 2030 is to reduce emission by 70% in Scope 1 and Scope 2 and to reduce 30% in Scope 3 by 2030, and we are using 2021 as a baseline. So these are challenging goals. And if you remember, almost 90% of our emission is from the [ph] user phase (00:10:54) which is completely logical, because when you investigate the lifespan and usage of lighting, we know it's lasting for a long time. So that means that our smart lighting agenda will be even more important and a prerequisite for us to succeed with our Scope 3 targets. And I see this as very positive because this is a goal to be united around as a group. And we have already seen this create innovation and out-of-the-box thinking in all our brands.

So it's not the technology being the biggest challenge, but really making sure that the market understands what is possible to do, thanks to new technology. So more knowledge training and communication will be a big focus going forward. So we have this quarter in many of the brands and in the group together driving education about the fluorescent [ph] ban (00:11:53) that happened in August and that we spoke about in the last webcast. And we believe this will have an impact and we see it starting that we will see increased renovations for many, many years to come. So I think this is also a good introduction to look at two innovations that we launched in the quarter, which is a proof point that we can get to 90% energy efficiency.

So the first one is AllFive. So AllFive is a well-known product for Fagerhult. And we now have launched a new generation with completely new performance. So it's a good example of energy saving and it saves up to 90% energy savings when you compare it with traditional fluorescent lights. So the new version is of course LED and also equipped with our smart lighting from Organic Response. So this is a universal luminaire to be used in many different places. So it has a focus and functionality and it's both easy to install and future proof.

So the construction is also done in a way, where it's really easy to open and therefore for the future to be future proof, you can add new components when needed. And as always, we have also worked on the material and made it much lighter than its predecessor, which has a positive [ph] impact (00:13:20), both on material usage and, for example, transportation. If you go back to SBTi again, will help us in our Scope 1 and Scope 2 targets.

Next solution, as I said, is from iGuzzini, and it's a track solution and that you normally use in retail. So when you got into a retail shop, you very often see open ceilings. But we see this increasingly now also in office environment and that brings very high flexibility, because you can move around very easily in the track solution. So – and this Spacepad from iGuzzini is super flexible because you can rotate it 360 degree, so in whatever direction you would like to. And then it's also, of course, extremely energy efficient and it gives very good light comfort. And also this product is equipped with smart lighting from Organic Response. So you can see that we are increasing the presence of sensors and smart lighting into all new solutions that we are launching. So that already gives the direction of the way forward.

So in general, if you read our quarterly reports, we give a few examples of projects and we believe they illustrate really well our business that we have around the world. So here we see a high end project in Gothenburg, this is the World of Volvo. And I think they represent well our focus segment and our values, because also when we look into the different projects, very often, the mix of private and public investment and also a good mix of renovation and prestigious new build projects.

And this time, it is a prestigious new build projects and you can see it's a very nice architectural building project, you might have been reading about it in the newspapers. It's designed by Henning Larsen. And it's a construction entirely in wood, so very clear targets on sustainability and circularity. So it's also a very good value match from our side. Building is 22,000 square meters and will [ph] be exhibiting (00:15:27) Volvo cars and Volvo trucks and it's fully lit by the group. So this is also something we enjoy highlighting because there's been very good collaboration between our different brands to be able to deliver the full solutions. So, the lighting comes from five brands Ateljé Lyktan, Fagerhult, iGuzzini, LED Linear and We-Ef. So, of course, we very proud of it and will go and visit when it's ready.

So with that, I will hand over to Michael and a thorough financial analysis.

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## Michael Brüer

*Chief Strategy & Communication Officer, Fagerhult Group AB*

Thank you, Bodil and good morning to all our visitors from me as well. During the Q3, the group delivered a very strong set of results for the quarter. In the Group, confidence is high and we look forward to closing out the year in a very good way and therefore to deliver another successful year for the Fagerhult Group.

As Bodil has already mentioned, the weaker Q2 order intake has resulted in a flat overall net sales performance in Q3, like-for-like sales after adjusting for currency and disposals relating to Russia, like-for-like sales were negative 4 percentage points. However, this €2.079 billion achievement was stronger than anticipated as the organic order intake in the preceding quarter was more than double the net sales 4% dip in this quarter. This shows the group's ability to win orders and deliver on shorter lead times, many of them being linked to renovation-linked projects. The vast amount of opportunities on the market, we see tons of them from sustainability to smart, from fluorescent light [ph] lamp bans (00:17:11) to retrofit, from 35% installed LED base and these far outweigh the uncertainties that we see from today's external factors.

Our innovative lighting solutions have a significant impact in supporting our customers to reduce energy costs and to reduce their carbon footprint. We continue with our highest priority of servicing our customers with excellence at each and every touchpoint.

In previous report, we have discussed with you the pricing improvements and Bodil has touched on these already. These continue to have a growing impact on the growth and therefore net profit margins. If you refer to the Q3 report, are reminders that the gross profit margin of 40.0% compares very well with the 37.1% for the third quarter last year. And overall, there is further work ongoing in this area.

The operating profit of SEK 240 million delivers a strong 11.5% operating margin and this is the fifth consecutive quarter where we have delivered an increased comparable operating margin. Earnings per share of SEK 0.9 was slightly ahead of last year. And of course, like many others, in the short-term, we cannot escape the impact from the higher interest rates. Cash flow remains very healthy. We are delivering good profit – good levels of profitability and good progress on working capital management. Our surplus cash balances will be used to reduce the impact of the higher interest rates.

Looking at the year-to-date now, the group continues to deliver good results. We previously reported a robust first half year, and combining this with a strong and improved third quarter, makes the year-to-date a solid platform from which to close out the year. Operating profits increased 18.4% to SEK 685 million. And the impact from this is to grow the operating margin from last year, September year-to-date of 9.6% to this year September year-to-date of 10.6%. A clean double-digit operating margin is good, compared to what we see on the market today.

Despite the impact of the higher interest rates, the net profit continues to push further ahead and the year-to-date earnings per share of SEK 2.48 is 7.4 percentage points ahead of the SEK 2.31 from last year. Cash flow is massively ahead of last year, so we've [ph] got a (00:19:38) good levels of funds. So we have good levels of funds available to utilize to reduce the impact of the higher interest rates. Come back to that a little bit later on when we look at cash.

If you look at the sales development and the development in the rolling 12 months net sales continues in a good way and this has continued to develop with the rolling 12 months net sales now in excess of SEK 8.7 billion, a level that the group's not previously been at, and we're proud that we can almost [ph] reach out into (00:20:09) SEK 9 billion these days. Our ambitions, of course, remain to further develop this in the coming years, both organically and through M&A. And on the M&A agenda, we have recently been joined by a new head of M&A, and we look forward to our future strategy in this area.

Looking at margin development, what I referred to earlier can be seen quite clearly here. For each quarter of 2023 and the previous two quarters, the operating margin is ahead of the comparable period. So what does this mean? It means that the rolling 12-month operating margin of 10.8% is 130 basis points ahead of the 9.5% for the prior comparable rolling 12-month number. And that is a significant step in today's environment. For larger scale producers servicing the industry, our clean and unadjusted operating margin remains very healthy, again, compared to what we see on the market.

Let's take a little bit of a deeper dive now into some of the business areas. We do this each time when we come to these sessions with you guys. In Collection, in this and the following three business area slides, we chose to show data only since the start of the recovery from COVID. Prior to that, it was a little bit confusing to – presented a slightly confusing picture.

Coming to this quarter though, in Collection, order intake was almost 6% organically positive and this is a big step change from the first and second quarters. We were pleased with the performance in Q3 on order intake in our Collection businesses. This will mean improved net sales in the coming periods. Good gross profit development and effective cost control has maintained the operating margin despite the reduction in sales. In Collection, you can see we are winning some very significant and prestigious projects. Sydney Airport and Dallas University are just two examples in the current quarter.

Looking at Premium, Premium business area continues to deliver exceptional levels of profitability. And you can see it clearly, although it is our largest and most consistent profit engine. The three-year trend on operating margin can be seen as clearly a positive one. And also here, we made significant progress on gross profit development and good cost control. The Fagerhult brand engages well with the renovation opportunity and combines their innovative solutions with smart lighting and integrated with Organic Response. And we can see that this can only grow in the coming quarters as our experiences and solutions begin to increase and expand.

Coming to Professional, you're aware that in the previous reported leadership challenges in the businesses – some of the businesses, they have been addressed. We're very pleased that this has been addressed and we now have full leadership teams in all businesses. We look forward to the medium-term delivery from the newly established teams. As a result, the Professional business area has made a strong recovery from the difficulties faced in 2021 and 2022. You can see clearly the line on the chart to the right-hand side how it has bounced back in a very good way. And the attention now focuses on sustained longer term development that's being worked on in the leadership teams.

Order intake growth in all three businesses is positive and is organically 15.6% ahead for the year-to-date in the business area. The growth of Organic Response in Professional is also significant as all businesses are strong in indoor lighting application areas, which ideally suits the Organic Response technology. The businesses have taken control of their gross margin, pricing and cost equation and their cost base. And these combined together with the growth delivers a year-to-date operating margin of 8.2%, compared with only 3.3% for last year. The Q3 margin is especially significant at 12.2 percentage points.

Lastly, in the business areas, [ph] we're going to (00:24:30) Infrastructure and I want to explain something here. The results in the business area infrastructure are strong. In the UK and Holland, we see significant improved performances. That's why you can see on the right-hand side of the chart, the black bars stepped up from where they were last year and in 2021. And as a consequence, the operating margin line also is elevated now to about that 15% level.

We are not concerned that the Q3 order intake has declined as this is largely due to our own decision to suspend our activities in the low profitability horticulture application area. This added good volume, but poor profitability in the past, and linking back to a comment Bodil made earlier on, it's not just about putting your luminaire prices [ph] low (00:25:19), it's about pricing management and market management and application area management. High volume with low profitability or zero profitability is not something we wish to investigate.

We will, however, invest in our future opportunities in horticulture and see if in a different business model, we can extract value from the application area. Year-to-date operating profits of SEK 123 million compared to SEK 77 million last year, so super profitable. And the operating margin increases 300 basis points from 12.2% to 15.2%.

Back to group level numbers, cash flow, I said we would come back to cash flow. Following a weaker cash flow in 2022, where we invested heavily in inventories, some SEK 400 million to support our customers in the supply chain challenge period, the 2023 performance is strongly positive. Don't think I've ever seen such a steep line on

a chart that talks about cash flow. And my colleagues [ph] who are (00:26:24) on the group will know that that pleases me enormously.

The rolling 12-month operating cash flow is above SEK 1.2 billion, and this is the highest level the group has ever been at. As mentioned earlier, strong profitability and working capital reductions have both contributed to the performance and there is still further improvements to make in some businesses.

Net debt development, I think the trend line on the ratio, net debt to EBITDA ratio speaks for itself. But just quickly, a reminder that the EBITDA used in these chart is adjusted for acquisitions and/or disposals. And these days, what you look at in front of you does include the impact of IFRS 16. We reported closing net debt of SEK 2.792 billion, and a net debt to EBITDA ratio of 2.05. The progression, the full-year trend is clear to see and is a positive number in itself.

Here we expect further reductions in the next few months as the working capital programs continue to deliver value and profitability will remain significant. The surplus [indiscernible] (00:27:37) [ph] where you (00:27:39) will use it to our best possible way to reduce our interest expense going forward.

Finally, earnings per share, all during 2022, we did aim for an EPS for the full year of SEK3. The actual result delivered was SEK 3.27. So it was pleasing to close out 2022 in a good way. In 2023, our ambitions are also high and this is despite the significant impact of the higher interest rates. For the year-to-date, the EPS is SEK 2.48, as you have already seen. With a decent fourth quarter, we are in a good position to deliver on our ambitions. The planned reduction of the impact of the interest expense will support a positive development on EPS going forward.

Before all that – sorry, before handing back to Bodil for closing in Q&A, just a short summary message for me. It's good to just give two or three bullet points how I see it. In the third quarter, order intake bounced back from the softer Q2. The gross margin and net margin development is clear to see. The cash focus will help net profitability going forward and we do look forward to close out the year in a good way.

Thank you for listening. And I now hand back to Bodil.

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## Bodil Sonesson

*President & Chief Executive Officer, Fagerhult Group AB*

Okay. Thank you, Michael. So before I also do a summary and conclusions, I'd like to share another prestigious project with you, which I think illustrates really the width in the knowledge that we have in lighting. This is Hinkley Point, which is the nuclear power station that is going to be built in Somerset in the UK. And here we have two brands who's been working together on this, and that's our UK based brand Whitecroft and I-Valo is based in Finland. And in total, we will be delivering 40,000 LED luminaires to this project. And it's, as you can see in full construction and I-Valo is our brand that is very specialized in very durable products for special conditions. And as you can imagine, I think it's difficult to have more special conditions that you have or special requirements than in a nuclear station. So, this involves very rigorous testing of our solutions. And I think it's an exciting project to show the highlight of the width in our portfolio, but also in our knowledge in lighting and durable lighting solutions.

So that takes me to my recap and conclusion. And, of course, the conclusion is yet another positive quarter and we continue to strengthen our financial position. So we showed a lot of positive comparative numbers both in order intake, [ph] GP margin (00:30:40) net profit and cash flow.



And also, I think we see a very good activity level and then the market and it's also a very healthy mix between our different segments in market and both in private and public investment. We see and continue to see the renovation trend strengthen. And with that, a very high interest for smart lighting, as Michael said, many different opportunities and the ban of fluorescent lighting and the communication around it is, I would say, slowly starting to create an awareness in the market of the possibilities and what we can do to give our customers much more energy efficient solutions.

You can also see that we have illustrated that we are winning prestigious projects in different parts of the world, and also that includes an increased cooperation between our [ph] brands (00:31:38). We know we are well-positioned with regards to megatrends and we continue to see legislation around the world and especially in Europe and UK focused to increase renovation with focus on energy efficiency. So, we continue with our release in innovative, sustainable lighting solutions. And I think that we are – all our brands are well-positioned towards these macro trends.

Finally, as I said, very proud that our SBTi targets both for 2030 and net zero for 2045, have been validated and that they will give us a clear and challenging guiding for the future to [ph] be united reps (00:32:22). So will be a guiding star for us. And I think it's also positive for all the employees to work for a group that has a very strong purpose to strive for it. We will, of course, make sure that we share all this progress with you in a very transparent way.

So, before I hand over to questions, I had – there is a project which I think is a very good illustration of our vision statement. And this is actually a restoration, because this is the old Victorian ducts in Nottingham, in the UK and here used to be the headquarter of the pharmaceutical company, Boots when they were founded. And if you remember our vision statement, it is A World Enhanced by Light and I hope you agree with me when you look at it. I think it's a very good illustration because I think the building is much more beautiful, thanks to the light that we have been adding from iGuzzini.

And I think with that, we end the presentation and open up for questions. So, I hand back to Michael Brüer this time for the questions session.

Q&A For the question session.

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## Michael Brüer

*Chief Strategy & Communication Officer, Fagerhult Group AB*

Thank you, Bodil. And with that, we ask Allen to open up for any questions from the conference call, on the telephone line.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you very much. [Operator Instructions] Okay. Michael, we have a no registered questions on the line. So I hand over to you for webcast questions.

**Michael Brüer**

*Chief Strategy & Communication Officer, Fagerhult Group AB*

A

Thank you, Allen. So let's look into the webcast and there we see a few questions coming in. So let's start. So the cost of goods sold declined compared to Q3 2022. What are the main reasons and maybe for you Michael?

**Michael Wood**

*Chief Financial Officer, Fagerhult Group AB*

A

Sure. Happy to take that one. I think there are some different reasons here. Obviously, we don't see a decline in cost of goods sold by pricing elevation. This, I think main driver here is, Bodil's comment about, some smart and sensible product mix decisions. Street lighting literally, for instance, was – will be one significant reason here. Horticulture will be a second significant reason. So I think this is more a product application area comment that we see for low margin activity, not something that we wish to be associated with going forward. It is a reminder, while still on this topic question, we don't yet see significant cost – input cost reductions from our supply chain, but we do expect that in the coming quarters.

**Michael Brüer**

*Chief Strategy & Communication Officer, Fagerhult Group AB*

A

Thank you, Michael. And let's continue, and maybe for you, Bodil, the impact on margin mix, what impact on margin mix do you expect to see from the renovation demand trend?

**Bodil Sonesson**

*President & Chief Executive Officer, Fagerhult Group AB*

A

I think if you look into this question, you need to understand a little bit of the parameters behind it and how it works for our customers, because the first thing you need to think about is it's a different – for us, it's a different way of going to market that the customers has – it's more of a total cost of ownership questions because when you look into it, when you do a renovation or a retrofit, first, the customer has the fixture already in the roof. And what happens then is that they don't have to do all the different cabling. So, that is already very, very positive for the customers. And then, when we see the [ph] path (00:36:21) how much energy they can they can gain by then, also using LED and smart lighting. So that means for the customers, there are many positives. And for us, when you look at it, it means that the margin mix is also positive, because very often retrofit and renovation is equals smart lighting. And that means that [ph] we're seeing (00:36:47) positive impacts from outside, from a margin mix. We don't see a negative impact at all when we look into retrofit and renovation, which I think is the underlying question that you have here. So that's not what we see. So for me, it's positive, both for us and for the customer when you look from a total cost of ownership perspective.

**Michael Brüer**

*Chief Strategy & Communication Officer, Fagerhult Group AB*

A

Great. Thank you, Bodil. Then let's move to the cash flow and the cash side. Related to the good cash flow, are you able to reduce working capital further and I guess we give that to you, Michael.

**Michael Wood**

*Chief Financial Officer, Fagerhult Group AB*

A

It certainly would be odd if he didn't come to me for that one I think. Absolutely is the response there. In some of the comments that you've seen on the [ph] words (00:37:33) from Bodil and myself, we've made good progress during 2023 so far. But I also stressed – made a point by saying we – and there is still continued work to do in several businesses. So we do see our ongoing inventory reductions as possible. Our group has got good control of its accounts receivable and credit days, but these have crept up maybe one or two days in recent times. So, I think sometimes customers are just stretching it a little bit more. So if we tighten up on that across the group and a handful of businesses out of the 12 jump on to the inventory reduction program, then, yes, there will be further reductions in working capital.

**Michael Brüer**

*Chief Strategy & Communication Officer, Fagerhult Group AB*

A

Thank you, Michael. Then we have a more forward-looking question on how do you see 2024 given the uncertainty in the construction market? As you're probably in late cyclical, don't you think that the decline in activity may increase in 2024 from a solid 2023 level? So, for you, Bodil.

**Bodil Sonesson**

*President & Chief Executive Officer, Fagerhult Group AB*

A

Hey, as you've heard, neither me nor Michael has been speaking about any gloomy market in this reporting, and I think that reflects that we don't see that. We see a positive activity level that I think I've been highlighting. I think the first answer to that that I would like to give is that because I get this question very often, we are not part of the Swedish private building market. We deliver nothing to the Swedish private building market, and I think that takes down uncertainty a bit. And then, of course, in some parts, we are late cyclical, but I think that also what we were highlighting, been highlighting during this call, I think fore and foremost, I'm a big believer that you can make a difference yourself. So that's the first part. But then, I think also we are well positioned as we've been highlighting many times, for the renovation and retrofit market, and I think that will be balancing what we see in the construction market in new build for us, and that's why you see us having such a high focus on it. So then I don't have the crystal ball for 2024, and what you will see happen if there is new things coming in. But I think all in all, we see more opportunities than we see a gloomy outlook. So, we stay positive.

**Michael Brüer**

*Chief Strategy & Communication Officer, Fagerhult Group AB*

A

Right, thanks. And let's just round off with a final question here that we got on the – related to Organic Response. How do you see the continued development for Organic Response?

**Bodil Sonesson**

*President & Chief Executive Officer, Fagerhult Group AB*

A

You've heard me mention it a few times today, and I see it going very much hand-in-hand with renovation and retrofit, because there, very often, we also have contacts directly with the property owners, which makes it that it's also they understand the message very well. And I think what we've seen this year, we've seen a very, very good development of Organic Response. And I think when you work with new technology, you look for all these signs of things going in the right directions. And I see only positive signs. So, I expect 2024, to be a continued good year for smart lighting. Step-by-step, we see the [ph] markets (00:41:01) starting to understand. So there again the positive outlook.

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**Michael Brüer**

*Chief Strategy & Communication Officer, Fagerhult Group AB*

Good. Thank you, Bodil. And with that, we're done with the questions for today. And yes, before we end, maybe some last comments. [indiscernible] (00:41:15).

**Bodil Sonesson**

*President & Chief Executive Officer, Fagerhult Group AB*

Okay. I'll try to give a very short one, because I think we've been saying the majority of the things. So, summarizing, yet another strong quarter with strong results, and so we see – we feel confident that we are progressing in a positive way with all our strategic initiatives and the way that we have [ph] painted (00:41:34) going forward. And as you've heard us saying, we continue to see many opportunities. And then I think we all know that people is what's making the biggest difference. And I think I highlighted in the report and I also like to end with highlighting it here that we see us being able to recruit in the last few quarter some very good new key team members and I think that is important because they will help us taking care of those opportunities, which also gives us – that we see and gives us a lot of good confidence for the future. So I think that is my ending, good people, good results and a good confidence in the future.

**Michael Brüer**

*Chief Strategy & Communication Officer, Fagerhult Group AB*

Right. So thank you, everyone, for joining today's conference call. And next, we will publish our Q4 results on February 16, so in next year, and we will host a webcast on the same day. Have a nice day.

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