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# Fagerhult AB (FAG.SE)

Q2 2021 Earnings Call

## CORPORATE PARTICIPANTS

**Michael Brüer**

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**Michael Wood**

*Chief Financial Officer, Fagerhult AB*

**Bodil Sonesson Gallon**

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## OTHER PARTICIPANTS

**Mats Liss**

*Analyst, Kepler Cheuvreux SA (Sweden)*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good afternoon all and welcome to today's Fagerhult Group Q2 2021 Investor Webcast. My name is Lydia and I'll be coordinating your call today. [Operator Instructions]

I'll now hand you over to your host, Michael Brüer, to begin. Michael, please go ahead when you're ready.

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**Michael Brüer**

*Chief Strategy & Communication Officer, Fagerhult AB*

Thanks, Lydia, and hello, everyone. And welcome to the presentation of Fagerhult Group's Q2 reporting 2021. And my name is Michael Brüer, responsible for strategy and communications in 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 be outlined similar to our last call. Bodil will start with a brief update on the second quarter and half-year numbers, and then give an update on some exciting initiatives we see across the group. Michael will then continue with more details about the numbers for the group and the separate business areas, and Bodil will conclude with a brief recap. And afterwards we will open up for questions.

We will first allow for questions from the conference call and then we will allow for questions from the webcast. You can post questions in the chat window on your screen and I will read them with Bodil and Michael.

Before we start, let me also remind you that today's session is recorded and will be available on our home page later today. With that, I hand over to you, Bodil. Please go ahead.

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**Bodil Sonesson Gallon**

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

Thank you, Michael, and welcome, everyone. So, I will start with a short summary of Q2. We've had a lot of positive news. We saw a clear acceleration in the recoveries compared to prior quarters with a strong order intake during the quarter. We still see some differences between regions with effects related to COVID.

But I think in overall the construction market is getting more used versus the situation. We've also had much more face-to-face customer interactions that we had before, which is good for project work even though we're very used to working with digital tools nowadays. We saw very good uptake in Southern Europe, in all the [ph] Southern European (02:25) regions, as well as in the UK.

We also saw very healthy operating margin, thanks to good GP margins, increased market activities, and good cost control as a result of all the activities we initiated last year, and that good cost control is continuing. And with all these numbers being positive, we of course also posted a very strong EBIT number. We are dealing, which I think everybody is dealing today, with overall supply chain challenges. They are time-consuming, but I would say we're very resilient and they're well dealt with by the team. And therefore, they have caused very limited effect on net sales in the second quarter.

On group strategic topics, we have defined a few ones like connectivity, sustainability, and core values. We took a step forward in all of those. We see the very positive trend continues in connectivity. And we see new markets emerge in both smart buildings and in smart cities. And I will give you a few examples later on, on the presentation. I will do the same in sustainability where we see a lot of activities in the different brands. And I will also give you a sneak view of the launch of our internal group core values.

So, with that, let's look at the concrete numbers for Q2 that as I said were all positive. If we put them just into comparison context from last year, we actually had our best quarter last year in net sales in Q2 and worst quarter for order intake. And this year we increased net sales in the quarter with 12.2%. And organic order intake were up a healthy 35.3%. And EBIT reached SEK 208 million, which represents an EBIT margin of 11.3%, and earnings per share was at SEK 0.78. And Michael will come back to you later with some more detailed information on the numbers.

But also let us look at the half-year numbers, which of course also showed a clear comparative increase in – or positive news compared to last year. So, from a half year number, we increased order intake with 11.3% organically and net sales with 9.5%. EBIT is a substantial increase from SEK 164 million last year to SEK 361 million this year. That represents 110% increase and ensuring that we are actually back to pre-COVID levels on EBIT, which has been achieved by a lot of hard work done by many people in the organization. So, I will leave the numbers here.

And as Michael said before, I will move into some more market-oriented background, focusing on what we see happening around us. And I think that we all know the challenges that COVID has meant for society. I also believe that this has meant that we have understood further that we need to change our habit as humans, especially with regards to the climate and the climate crisis.

And this is also very true for the construction industry. Buildings are responsible for about 40% of total energy consumption in the EU, and a majority of the European building stock is aged. And roughly 75% of the building stock that we have today is energy efficient. And around 90% of those buildings will still be in use in 2050, so accelerated renovation is the only economical way to meet climate targets in the building industry. And EU is in terms of fuel, the demand for energy efficient solutions of – which you've all heard about the Green Deal and the Renovation Wave initiative. And the estimation today is that the Renovation Wave initiative is going to double the building renovation rates in the next 10 years.

For lighting, we know that LED has helped a lot for energy efficient so that we use modern technologies. But also here we are dependent on renovation because today only 30% of the installed base has LED-ified in the last 10 years. So if we do more renovation, we will get more energy efficient LED lighting instead. And if we add connectivity to those lighting solutions, we can bring an additional 70% of energy savings.

And I think when we look into the connectivity technology, it's very rapidly becoming affordable enabled by reduced component costs, lower cost of data transmission and cloud computing. So, everything is talking that the markets will move in that direction. And we also see that. I will give you a few examples of activities and success both in sustainability and connectivity. And here is the first example. This is from – you all know our Fagerhult brand.

One of their best sellers is a product called Multilume. And they have during Q2 launched a completely new concept called Re:Think that is reducing climate impacts significantly by using innovative materials and product design. Now I think this is real example of thinking outside of the box. And their first product is a new version of this high-selling Multilume, and the Multilume Re:Think has a luminaire body made of 100% recyclable cardboard, with completely new materials that we're using and that is reducing the weight of the luminaire by 32%.

Also, the packaging concept has been redesigned and by printing instructions directly on the luminaire shipping volumes have reduced by 30% and no plastic is needed anymore in the packaging. And these products are also equipped with organic response in order to make them very easy to be connected and to gain those extra 70%. And, in total, these changes have reduced the total climate impact by 83%, which I think is really impressive. And it's also been very well received by the market after launch. And if you want to learn more there is a lot of materials on the website of fagerhult.com.

So if we then take another example, you know that we continue working with world-class manufacturers and Industry 4.0 transformation. And many steps have been taken over the last year and continued also during the COVID period last year. And in Q2 they were awarded world-class manufacturing bronze levels. And to continuously strive for improved quality and efficiency is central.

And free-up resources for new product design and more customer-focused activities, and similar to the world-class manufacturing award, iGuzzini has also been awarded EcoVadis Silver for their sustainability work and both these are awards that are valuable acknowledgement of focusing [ph] work at (0:10:01) iGuzzini. And very positive is that this process-driven work that the whole organization is very used to, thanks to the many years of work with Industry 4.0 makes the shift to focus on processes that drives sustainability much easily.

And a special aside on the connectivity solutions where we, as I said, we continue to make progress, and we have two solutions within the group: Organic Response for indoor and Seneco for outdoors. And both solutions are based on the same basic principles, presence detection to reduce energy consumption. And for Organic Response, we see continued regrowth. For the first half year, the volumes increased again, 60% compared to last year, and we also see a lot of processes evolve and being launched, which adds new functionality and making use of the sensor data from the luminaire, which in addition to reducing energy also brings safety, other efficiencies, and a sense of well-being for the users.

Two examples are the burglar alarm integration with Securitas that I presented last time, and an indoor positioning system with Sony. And then we acquired as you know Seneco in Q2. And there we continued the integration and implementation of the technology across all our outdoor brands.

So with that, let's look at an example here as well. This is an example from the Hickman building in London which is showing the possibilities of connectivity. We were involved in the project from the start and have delivered more than 1,300 Organic Response-enabled luminaires to the project. And all the luminaires are connected via cloud API integrated to the building's management systems.

The base of this integration, there is a specific building app developed that combines all the features from different systems and also the tenant control over their working environment. Within this area we see a lot of activities happening in the market. And that opens up the new partner possibilities for our connected technology. And the Hickman building has actually been acknowledged as one of the smartest building in the world during Q2 which also shows that an increased focus is going on in terms of smart building from the whole construction industry side.

With that, as said, a sneak view on our core values. We have as you know worked on this during 2020. This is important from a company culture perspective. It's been a good progress, very inclusive work which has been creating a lot of positive energy already before launch in the group. And we have involved more than 1,800 colleagues for us across the group.

And in this work we have considered not just who we are today and what we do well but also listen to what is important for us in the future to be successful. And based on this we have developed a new set of core values. And we will launch them during the fall. And that will be a strong base for us for our very people-based culture. And what you see in the picture here on the slide is actually an internal [indiscernible] (13:28) that we are using ahead of launch. And we will launch during September with the actual core value.

And, with that, with the picture, which is the [indiscernible] (13:44), where you could see all indoor and outdoor lighting is from ateljé Lyktan from their home area. With that, I will hand over to Michael for some more financial [indiscernible] (13:59).

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## Michael Wood

*Chief Financial Officer, Fagerhult AB*

Yeah. Thank you, Bodil, and thank you, Michael, for the early introduction and a very good afternoon and welcome also all listeners from myself as well. We see the financial summary slide, which is the regular kickoff point for this part of the presentation and I'll take you through several slides forthcoming.

The recovery from the impact of COVID-19 in the second quarter accelerated sharply ahead of the steady start that the group made during the first quarter. As we state in the report, all key measures from order intake through to operating margin recorded strong growth and strong improvement.

At SEK 1,845 million, quarter-on-quarter net sales was positively ahead of last year, almost 7%, increasing to just over 12% on a like-for-like organic basis. Growth was recorded across most geography and almost all product segments that we operate in. At SEK 82 million, currency headwinds remain strong. It got a little less strong than we saw in the first quarter and as we enter the third quarter, we expect this trend to continue for the rest of the year.

The operating profit of SEK 208 million delivers a very healthy 11.3% operating margin, mainly driven, as Bodil mentioned earlier on, by increasing the volumes, steady gross margins, and a continued good cost control. Profitability for the half year is ahead of that in 2019. I think people do use 2019 today as a benchmark reference point rather than the COVID-hit 2020. Development of earnings per share and operating cash were also positive, but I'll come to more of that later.

When we look at sales development, no longer do we see a decline or even a leveling off in the 12-month rolling net sales. In the second quarter, the trend was plus 2% positive and now approaches close to SEK 7 billion on the rolling 12-month basis. The trend is even more positive looking forward when adjusted for currencies and disposals. And we expect this trend to continue into the future.

Next slide now is margin development. Firstly, let's just remind ourselves that you see the two light-gray bars in Q3, Q4 last year. They were adjusted for the group's exit from the South African business. I would remind us because we shall make comparisons to these quarters and these numbers as we go through the remainder of the year.

And back to the second quarter, the operating margin of 11.3% is ahead what we see of the market – we should be pleased with that – and compares well to Q2 last year and the first quarter this year. The rolling 12-month operating margin is just over 9%, 9.2% to be precise; shows continued good recovery over the last six quarters that we operate.

Business area Collection, the business area delivered a very strong order intake and a solid operating result in the second quarter. You can see the numbers there, 35.2% organic growth and operating margin of 9.8%. The second quarter of 2020, I'll just remind you, was positively impacted by the catch-up of iGuzzini following the factory reopening following a forced COVID closure. For the year-to-date, profitability in the business area has significantly improved compared to last year.

The business area entered the second half year with an increased order backlog position and good control of the cost cycle. We now begin to see some results of the collaboration. Collaboration is a word that was used several times in the webcast seminars. And recently there has been a joint win at a health care project in Italy between the Fagerhult brand and the iGuzzini brand. And also there's been strong project quotation activity with new inquiries and new opportunities in Denmark collaborating between ateljé Lyktan and iGuzzini. So, good work coming through [ph] the statutory (18:40) development process in business area Collection.

If we move to Premium, in Premium business area, we do continue to see mixed results across the European market with the western countries, including the UK for this explanation, being quite positive and the northern countries generally having a lower level of activity. That was reported for Q1 and we saw that continuing into the second quarter. Activity in the retail segment is high as retailers catch up for lost time and lost time regarding improvements to their estate during the pandemic closure period. But we do see good activity in the retail segment.

The quarterly organic order intake was also very strong, 26.2%. And the business area operating margins continue to develop well, increasing to 13.7% in the quarter compared to 8.3% a year ago today. Here, we see again an improved order backlog carrying us forward into the remaining part of the year and the start of next year.

Turning now to business area Professional, the last quarter we did report a strong start to the year. And this started to increase further in the second quarter with a further acceleration in business area Professional. 28.2% was the net sales growth and it's doubled the operating margin for the first time since mid-2019. So, this BA is beginning to recover properly to pre-COVID level.

The order backlog position is good. The forward-looking trajectory looks positive. And the activity level and the results in the UK is particularly strong. When we come to Australia, it's pleasing to see the completion of the

rebranding project in Australia and New Zealand and the businesses come together as one brand, creating a more powerful force in the region.

And finally, to finish off on the business area slides, we come to business area Infrastructure. As mentioned 90 days ago more or less, the Infrastructure situation got off to a slow start to the year for the first quarter. But now in the second quarter, the situation is improving. The results of the second quarter were good and order intake, net sales and operating margin, all improved. And we're fairly pleased about the remaining part of the year within Infrastructure.

Point out that the organic order intake growth of 65% was very, very significant. But just pointing out that during that quarter there was two large project wins which boosted the order intake by approximately SEK 50 million. But regardless, even without these two large project wins, order intake was still positively strong at the organic level. Most significant growth opportunity remains here in Europe with business area Infrastructure. And we continue to work on our go-to-market approach for the three brands to grow our market share.

Our operating cash flow remains positive. So each of the first and second quarter achievements, as you can see there, is very similar to what was achieved in 2020. The rolling 12-month cash flow remains a full SEK 1 billion despite SEK 170 million investments in inventory in the half year to combat and support our customers to combat the supply chain challenges that we see around the globe. We do this to continue to provide a high level of service to our customers. We will continue our focus in cash flow and cash management as we head through the second part of the year.

And we come to net debt. It portrays a very pleasing picture that we see there. But just again another quick reminder that the chart for net debt is adjusted for IFRS 16 accounting and the chart for net debt-EBITDA ratio is also adjusted to IFRS 16 and acquisitions and/or disclosure. We report a closing net debt-EBITDA ratio of 2.31, which now matches the position at the end of 2018.

So why is this significant? Because that was the final quarter before the large acquisition of iGuzzini. So the group and its profitability and cash management competencies has restored the ratio now to just before the iGuzzini acquisition. The adjusted net debt on this basis is just under SEK 2.1 billion and liquidity in the group is at a good level.

Finally, earnings per share. Again, remember that the earnings per share dated for Q4 2020 benefited from the new Italian tax decrease. And you should refer to the Q4 and Annual Report for details of this. The EPS in the quarter at SEK 0.78 per share was not only ahead of the measure for 2020 which most people would expect but also importantly ahead of the SEK 0.74 per share for the second quarter of 2019. So, again the work that's been done puts us in a position while still in the metrics, we're now at pre-COVID levels and we look forward to these things continuing in the future. While the EPS continues to improve, again this is not yet at the level of our ambition. We strive for greater things in this regard.

I now hand back to Bodil for closing before we take our Q&A session. I'll just leave you with a picture of this [ph] huge (25:05) building in Berlin, an installation that was lit by iGuzzini.

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## **Bodil Sonesson Gallon**

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

We do like our beautiful picture certainly because when you have a vision statement which is the world enhanced by light, it's a very good way of illustrating that. So, I would just allow a slide to conclude and recap. And as I hope you've seen from all Michael's numbers in Q2 was a very good quarter for us.

And after the first six months of 2021 we have seen good recoveries especially in EBIT and order intake. And we entered Q3 with a very healthy backlog. We have dealt with as you said very well with the supply chain challenges. We will see them to continue for the foreseeable future with some risk of delays. We do from our side everything we can to mitigate those. And we will continue the hard work to do that.

Our core values project that I mentioned is called the collaboration project which is focusing on achieving more together. Michael gave some examples. I think we have many examples of increased collaboration around the group that we can come back to in further reportings in the future but all in all positive.

So, with that I will end the presentation part and open up for questions. So, I will hand back to the other Michael for taking care of that.

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## Michael Brüer

*Chief Strategy & Communication Officer, Fagerhult AB*

Thank you, Bodil. And with that we ask Lydia to open up for questions from the conference call. Please, Lydia, go ahead.

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# QUESTION AND ANSWER SECTION

**Operator:** Thank you, Michael. [Operator Instructions] Our first question today comes from Mats Liss of Kepler. Mat, please go ahead. Hi, Mat. Your line is open.

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## Mats Liss

*Analyst, Kepler Cheuvreux SA (Sweden)*

I got muted there. Sorry. And I repeat myself, congrats on the good set of numbers and I have a couple of questions. First, looking at the orders that are pretty strong numbers, and I just wondered if you could say something about the mix there? Are you able to pass on – I mean, we have seen quite substantial increases in raw material prices and so are you able to pass those cost increases on to the customers?

Q

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## Michael Wood

*Chief Financial Officer, Fagerhult AB*

Okay. Thank you, Mats, yeah, and good afternoon. And thank you for the comment regarding the good report and good numbers. It's something that we certainly feel better about than the last couple of iteration. So, thank you for that.

A

When it comes to the order intake, it's a real strong number for the second quarter. But you're right that the global supply chain challenges for logistics and materials is around us, and all of our operating companies have now passed on the cost impact of those increases through to our luminaire prices to the market. There will, of course, be a little bit of a timing delay before some of those from quotations find their way through to orders and invoicing. Of course, that's only natural. But also, on the supply chain side, that timing is also represented through the inventories that we hold that were obviously purchased at the lower price levels. So, in answer to the question, yes, we can pass them on to the market. And, yes, we have now adjusted our prices accordingly to deal with that.



**Mats Liss**

*Analyst, Kepler Cheuvreux SA (Sweden)*



Okay. Thank you. And then I have a question regarding the – I mean, looking at the seasonal trend there, previously if you look at previous years, I mean, maybe this quarter you could see in the acquisition [indiscernible] (29:30) the third quarter was normally somewhat stronger – the strongest of the year. Should we expect to see the same seasonality this year? Or is there any sort of – if you could give some comments about that.

**Michael Wood**

*Chief Financial Officer, Fagerhult AB*



Okay. Certainly. You're right with your observation. And I think that the observation carries on even post the iGuzzini acquisition. What we do know, Mats, is that we are [ph] fat on on an (30:02) order backlog position that's circa SEK 400 million higher than it was at the start of the year, and over SEK 500 million higher than it was a year ago to date. So we move forward into the third quarter. On the downside to that, we do have the supply chain challenges. But as we've put in the report and as Bodil has commented, there was no significant disruption caused by that in Q2. So we suppose we don't expect any significant consequences of that as we move into the third quarter.

So the seasonality, I think, remains intact across the Fagerhult Group. We are [ph] fat on (30:47) – probably a record [ph] was not set (30:50), but probably a record for the backlog position. And then the only cloud on the horizon [ph] there though is (30:56) this supply chain. But as Bodil says, we have dealt with it very well so far. And we continue to deal with it well around us today. So, yeah, I think the seasonality comment remains intact. And we look forward to the third and fourth quarter. There's no reason why we shouldn't be. We've got good momentum and good activity levels in most of our main markets and a very strong order backlog position.

**Bodil Sonesson Gallon**

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



I think what you also need to remember from our part, which is very important, is that we are a certification business. So, when you look into, say, 12 to 18 months to really make a difference and I think that's also what we saw that it was difficult in Q2 last year because it was difficult to meet people and the industry was used to deal with this digitally. So that has also been taken step by step in terms of getting more digital [ph] mature (31:53) in dealing with it. But we also have had the possibilities of having much more face-to-face meetings compared to what we did a year ago. So, I think there are also other factors that play in in addition to the seasonality in a little bit of office space.

**Mats Liss**

*Analyst, Kepler Cheuvreux SA (Sweden)*



Then again, in the outlook you mentioned that it might be – I mean, you are back to pre-COVID levels in the second quarter. But you also indicate that for the full year, it may be too early to see such a performance, I mean, pre-COVID. When do you expect to see that, well, reaching the pre-COVID levels on a yearly basis?

**Michael Wood**

*Chief Financial Officer, Fagerhult AB*



Well, you're right to pick that off from the outlook. We did mention that it may take a little longer to get to pre-COVID levels on a full annual basis. As Bodil mentioned and I mentioned in the financial slides, we are now tracking at the EBIT operating level, operating margin level. We are now tracking the rate of profitability that we saw pre-COVID, and that's good now for the first six months of the year.

And from a growth perspective, if we do carry on like we performed in the second quarter, then it can't be very many quarters away. We don't give ourselves a forward-looking target objective map. But if we carry on at the same sort of trajectory, it can't be very far away before the annualized numbers are matching what...

**Mats Liss**

*Analyst, Kepler Cheuvreux SA (Sweden)*

Q

The CapEx for the full year. Could you give some guidance there?

**Michael Wood**

*Chief Financial Officer, Fagerhult AB*

A

About the CapEx, yes, certainly.

**Mats Liss**

*Analyst, Kepler Cheuvreux SA (Sweden)*

Q

Yeah.

**Michael Wood**

*Chief Financial Officer, Fagerhult AB*

A

Well, we know that the focus during 2020 was on cash and cash management. So we did temporarily suspend capital investment projects. When we realized that we got a good grip on liquidity and cash at bank and additional reserves should we need it, then towards the middle of the fourth quarter last year, we started to release a little bit on the capital investment side. And then that carried on through the first quarter and carried on quite strongly during the second quarter of this year. And so we expect the capital investment to be approaching 1.5 percentage points for the full year, 1.5 points of the net sales number.

That's still on the low side for the Fagerhult Group. It's still less than the long-term level of depreciation. But it's because this gap of temporary suspension that was built in last year is now starting to come through and we do expect an increase in NAV in Q3 going into Q4.

**Mats Liss**

*Analyst, Kepler Cheuvreux SA (Sweden)*

Q

Great. Then final one, I mean you mentioned that the gearing is back on pre-iGuzzini level and with this sort of interpretation of that, do you see a similar kind of acquisition out there as large as iGuzzini, maybe is there more to do in the acquisition but should we expect the dividends to pick up or something else, maybe?

**Bodil Sonesson Gallon**

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

A

I mean, if you look into our strategy, [indiscernible] (35:30) where we're saying we have a high focus in collaboration and organic growth. But of course M&A is still part of our strategy as well, more coming out of the business area than is coming from the group level. And, I mean, you've seen us doing some of the smaller technology acquisitions. Then, it needs to fit into the strategy. So, I think we still have an asset side. I think the number that we are down to pre-iGuzzini means that if something comes up and we think that this is good, we are ready for it again. So, I think that's the first step of it.

**Mats Liss**

*Analyst, Kepler Cheuvreux SA (Sweden)*

Q

Okay.

**Bodil Sonesson Gallon**

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

A

But the answer from a strategy, we see both organic and mergers and acquisitions.

**Michael Wood**

*Chief Financial Officer, Fagerhult AB*

A

And we never say we've got more or less money available for dividend distribution. That's not something that we talk about.

**Mats Liss**

*Analyst, Kepler Cheuvreux SA (Sweden)*

Q

Yeah. Okay. Okay. Great. Thanks a lot.

**Michael Wood**

*Chief Financial Officer, Fagerhult AB*

A

Okay. Thank you, Mats.

**Operator:** Thank you. [Operator Instructions] We have no further question on the phone lines, so I hand over to Michael to take questions from the webcast.

**Michael Brüer**

*Chief Strategy & Communication Officer, Fagerhult AB*

A

Yeah. Thank you, Lydia. We have received a question from the webcast. We have one here on our product development and if we can elaborate a bit from the share of sales for newly developed product compared to historical products.

**Bodil Sonesson Gallon**

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

A

I can't give you a number, but if you look from a product's vitality, I think here, it's important, it will vary between the different brands. But, I think for us it's one of our – it's part of our goals in how we work as well, innovation is key for us. So, to achieve a high rate of new products is something we work very strongly on. Then, it will vary, as I said, between the different brands. But we in general from a product totality perspective, we look quite good with a high rate of new products.

**Michael Wood**

*Chief Financial Officer, Fagerhult AB*

A

We actually have the – we have seen in the April-May time of year, we had three specific product presentation, new product presentations from three of our brands, from the Fagerhult brand, the iGuzzini brand, and the Whitecroft brand, and all three presentations are about what are they doing, what's in the pipeline, both just recent, so within the last six months. And then in the next 6 to 12 months, each one of those is a buoyant activity, with fabulous new products in.

And so I think during COVID I don't think we've seen a slowing down. I think what it's done is, I think it's given the people the opportunity to be even more creative and more design aesthetic-led during that period. So, watch out

for some nice-looking luminaires with a high sustainability impact coming through. As Bodil pointed out, the Multilume Re:Think is a concept that's fairly leading in its class.

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**Bodil Sonesson Gallon**

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

A

And I think it's also – when you see our business model with the [ph] 13 brands (39:01), it's very good from a sustainability perspective and product development because we see different types of out-of-the-box thinking coming out of the different brands. And when they then speak and talk together, they exchange ideas which creates a higher innovation level and such.

And [indiscernible] (39:19), I spent a fair bit of time in Italy, I haven't been there for a long time for obvious reasons. And I think when you listen to product development, I'm never going to [ph] have a decision (39:29) because there's so many new things that they wanted to present. So, I think what Michael said, it hasn't slowed down during COVID. We continue the high innovation level. So, I hope that answers the question, Michael.

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**Michael Brüer**

*Chief Strategy & Communication Officer, Fagerhult AB*

A

Thank you for the [ph] answer (39:46), Bodil and Michael. We have another question here regarding financial targets and if we plan to communicate any long term financial targets in the coming year?

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**Michael Wood**

*Chief Financial Officer, Fagerhult AB*

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The answer is simply no. We had 75 year of history where we don't do such thing. So, sorry to be so sure here but that's what we do. Our ambition, short-term ambition is to return to pre-COVID levels as soon as we possibly can. We stated that in the Q4 reporting webinar. We stated that again in the Q1 and today in the Q2. So, first of all let's get back to pre-COVID which is a big tick in the box. We're well underway there. We're excited about the short-term future. And then with all the strategic alignment and strategy plans that's just taking shape, they're not just plans there. We talked before about the collaboration areas. So, beyond that immediate short-term of getting back to pre-COVID again, it's a healthy situation that we see.

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**Bodil Sonesson Gallon**

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

A

Yeah. And we prefer to have a stable healthy long-term growth as the goal. But we won't put any numbers to it externally.

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**Michael Brüer**

*Chief Strategy & Communication Officer, Fagerhult AB*

Good. And with that we are done with the questions here. So, just before we end, Bodil any last reflection from your side on the quarter and the presentation there?

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**Bodil Sonesson Gallon**

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

I think from a summary, very short summary, we said it was a very good quarter for us with maybe stronger signs of recovery than we thought. So, we are very happy about that. And I also think that it was positive indicators and all normally when you do something, you have something that feels a little bit less good. But here, it was only positive from the numbers. And also that we continue that first step to work in all our strategic topics, which for us

is equally important as we see things going in the right direction. So, I think that was a very short summary, a lot of positives.

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## Michael Brüer

*Chief Strategy & Communication Officer, Fagerhult AB*

Great. And with that, I think we end today's call. And thank you to everyone for joining the conference call. We hope to see you again at our Q3 presentation, which will be on October 29. So, again, thank you for today.

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## Michael Wood

*Chief Financial Officer, Fagerhult AB*

And thank you for me as well.

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## Bodil Sonesson Gallon

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

Yes, and thank you for me as well.

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**Operator:** Thank you for joining us. This concludes today's call. You may now disconnect your line.

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