

Press release

Stockholm, September 18, 2018

Further information about restructuring measures related to Consumer Brands Division and third quarter 2018 operating income

As communicated on July 17, 2018, Husqvarna Group will exit certain low-margin petrol-powered product segments in the underperforming Consumer Brands Division and instead focus on strengths in premium offerings under the core brands of Husqvarna and Gardena. The exit is an important step to enable more focus on profitable growth areas such as robotic lawnmowers, digitization and technology for battery powered products. Restructuring measures are being initiated to adjust manufacturing capacity following the exits and to reduce central resources to reflect the less complex and more focused Group. These measures are expected to be accretive to the Group's financial performance already from next year. In addition to the restructuring, the third quarter has also been impacted by the extended warm and dry weather. Hence, the Group informs that operating income for the third quarter 2018 will be around half of the previous year, excluding items affecting comparability.

Third quarter 2018

Husqvarna Group's operating income for the third quarter 2018 (excluding items affecting comparability) is expected to be approximately half of the previous year's, which was SEK 433m. The decline is primarily explained by a negative product- and regional mix for the Husqvarna Division, largely a result of the extremely warm and dry weather in Europe which already started to negatively impact the second quarter. On the other hand, the Gardena Division is expected to report higher operating income, due to favorable impact from the warm weather on sales of watering products, however, not enough to offset the decline in the Husqvarna Division and an underperforming Consumer Brands Division. Both Husqvarna and Consumer Brands are also impacted by higher costs for raw materials and new tariffs. For 2019 the expectation is that these will be mitigated by price increases. Husqvarna Group's interim report for the third quarter 2018 will be published as planned at 08:00 CET on October 19.

Restructuring measures

In 2019 the Group will exit net sales of close to SEK 2 billion and in 2020 another SEK 1 – 2 billion of low gross margin business that previously was within the Consumer Brands Division. This mainly involves petrol-powered walk-behind lawnmowers and garden lawn tractors in lower price points and to a smaller extent also some consumer handheld products. Restructuring measures have been implemented to reduce capacity in our manufacturing footprint. Such measures will include a closure of our production unit in McRae, Georgia (USA). Given the lower complexity of the Group, we will also reduce central resources and functions, including changes to leadership roles, subject to union negotiations.

The restructuring measures will be implemented during 2018-2019 with an estimated total cost of some SEK 1.2 billion before tax, of which some SEK 400m refers to cash items. Such costs will mainly be charged to the Group's income statement in the third and fourth quarters of 2018 and be classified as items affecting comparability. The restructuring measures are expected to result in annual savings of around SEK 250m gradually from 2019 and with full effect 2020, which exceeds the lost fixed cost contribution from the exited sales volumes. The lower business volume will also reduce the net working capital need in the Group up to SEK 1 billion over the coming years.

“Husqvarna Group has a proud history of innovation and continuous transformation. For many years we have been a leader in the market for petrol-powered forestry, lawn and garden products at the same time as we pioneered the market for robotic lawn mowers, built a leading position in battery-powered products and became the first provider of connected smart garden products. To remain at the fore-front and focus our resources even more in sustainable and growing segments like robotics, digitization and battery we are exiting certain mature and commoditized petrol-powered consumer segments. I regret the negative impact this will have on some of our employees and other stakeholders, but I am convinced that this ultimately is a necessary step for us to become even stronger in the future”, says Kai Wörn, President and CEO.

The Consumer Brands Division will continue to be reported as a separate division for the remainder of 2018, but will be dissolved and instead become part of the Husqvarna and Gardena divisions as of the first quarter 2019. The European part of the remaining Consumer Brands sales, which is around 15 percent of such sales, will be included in Gardena Division and the other 85 percent, which almost entirely is related to North America, be included in the Husqvarna Division. The segment reporting in 2019 will thus consist of three divisions: Husqvarna, Gardena and Construction.

In line with the intentions when announced, the Group’s financial targets will remain unchanged. “We are committed to deliver on our targets, including a Group operating margin of 10 percent in 2019”, Kai Wörn concludes.

A restatement of the full-year 2018 segment reporting in the new structure will be included in the Group’s year-end report 2018 on February 5, 2019. The changes of the reporting segments will not impact Group goodwill.

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This press release contains insider information that Husqvarna AB is required to disclose under the EU Market Abuse Regulation. The information was submitted for publication at 08.00 CET on 18 of September, 2018.

Husqvarna Group

Husqvarna Group is a global leading producer of outdoor power products and innovative solutions for forest, park and garden care. Products include chainsaws, trimmers, robotic lawn mowers and ride-on lawn mowers. The Group is also the European leader in garden watering products and a global leader in cutting equipment and diamond tools for the construction and stone industries. The Group’s products and solutions are sold under brands including Husqvarna, Gardena, McCulloch, Poulan Pro, Weed Eater, Flymo, Zenoah and Diamant Boart via dealers and retailers to consumers and professionals in more than 100 countries. Net sales in 2017 amounted to SEK 39bn and the Group has around 13,000 employees in 40 countries.