

Electrolux stumbles to quarterly loss after GE deal collapses

<http://www.reuters.com/article/us-electrolux-results-idUSKCN0V6122>

A failed attempt to buy General Electric's white goods business pushed Sweden's Electrolux into the red in the fourth quarter of 2015 and left the home appliances maker casting around for an alternative strategy.

Looking at the current year, Electrolux, which had hoped to add GE Appliances to a stable of brands that include Frigidaire, AEG and Zanussi, forecast growing demand on both sides of the North Atlantic and nudged its forecast for the U.S. market slightly higher.

The company, vying for market leadership with the likes of U.S. rival Whirlpool, swung to a fourth-quarter operating loss of 202 million crowns (\$23.7 million), compared with a profit of 1.4 billion crowns last year.

The mean forecast from analysts polled by Reuters was for a loss of 300 million crowns.

Electrolux will seek to regroup under new Chief Executive Jonas Samuelson, its European boss. Samuelson will take over next month when CEO Keith McLoughlin leaves in the wake of the scrapped merger.

Electrolux's professionals business, which mainly serves restaurants and laundries, is seen as an area where the company could choose to expand.

Underlying profitability continued to improve in the group's Europe, Middle East and Africa business thanks to an expansion in up-market and higher margin products such as fitted kitchens.

Electrolux shares were up 3.8 percent by 0940 GMT (4:40 a.m. ET), outpacing a roughly flat blue chip index in Stockholm and enjoying their best day since last April.

DEAL COLLAPSE

But profit was hit by 1.66 billion crowns in costs stemming from the collapsed GE Appliances deal, mainly a termination fee payable to GE even though it was the U.S. company that pulled the plug following opposition from antitrust regulators.

The collapse of the \$3.3 billion deal last month upended the Swedish company's plans to double its U.S. sales with its biggest ever acquisition.

Compounding Electrolux's woes, GE then struck a similar deal with China's Haier, if at a higher price, adding another potent rival to the mix.

With little scope for other big-ticket acquisitions, Electrolux will need to explore alternative avenues to growth, with many analysts pointing to growing the highly profitable professional business as a potentially lucrative option.

"I think they should, and will, buy more companies within Professional Products," said DNB analyst Christer Magnergard.

"If they succeed with that, it will generate higher profitability, more stable profits, better organic growth and less price pressure."

The professionals business posted a 14.8 percent operating margin in the quarter, the only unit to reach double digits though it only accounts for just over 5 percent of group sales.