

# UPDATE 2-Electrolux shares hit by slow U.S. sales, profit tops forecast

<http://in.reuters.com/article/idINL8N1A612A>

Home appliance maker Electrolux reported second-quarter operating earnings above forecast and raised its outlook for the European market this year, but shares fell as slower than expected sales in North America weighed.

- Shares in Electrolux, a rival of U.S. Whirlpool Corp, drop 4.5 pct vs a 0.9 pct rise in the Stockholm blue-chip OMXS30 index.
- Analysts cite weak sales in North America, worries over raw material price effects in 2017 and investor repositioning due to higher unofficial earnings expectations as possible reasons for share drop.
- Sales in North American business unexpectedly dropped, with Q2 organic growth down 1.5 pct. Co cites decline in private label sales, while sales under its own brands rose
- Says expects private label sales to continue to be a drag throughout the year.
- Says now expects European market demand to grow by 2-4 pct in 2016
- Co's April outlook was for Western European market to grow by 2-3 pct in 2016 and the market in Eastern Europe by approximately 2 pct
- Says following Brexit referendum, outlook for UK demand and British pound is uncertain
- Electrolux CEO says: "we have seen mainly the UK construction industry signalling they will be more cautious going forward"
- Electrolux CEO on Brexit: "Says in terms of regular retail demand, we are not seeing as much of an impact at this stage"
- Q2 operating profit increased to 1.56 bln SEK (\$181 million) vs 921 mln SEK in year-ago quarter while sales dropped to 30.0 bln SEK (31.4)
- Reuters poll: Electrolux Q2 net sales were seen at 30.6 bln SEK, operating profit at 1.52 bln
- Says four of six business areas achieved an operating margin above its long-term group financial target of 6 pct
- Q2 op margin at 5.2 pct vs mean forecast 5.0 pct. Operating margin in North America at 6.5 pct vs forecast 5.8 pct, main reason for group profit beat
- Says we expect market demand for appliances in North America to grow by 4-5 pct in 2016 (unchanged from April outlook)
- Says we expect Latin American market to remain weak also in second half of 2016

Source text for Eikon: Further company coverage: (\$1 = 8.6113 Swedish crowns)  
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