Fagron H1 2022 Results

Thursday, 4 August 2022

Transcript produced by Global Lingo
London – 020 7870 7100
www.global-lingo.com

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Karen Berg: Good morning, and welcome to the presentation of the first half-year results 2022 for Fagron. My name is Karen Berg, Head of Investor Relations, and I am here together with our CEO, Rafael Padilla, and our CFO, Karin de Jong. They will discuss the results of today. Afterwards, there will be room for questions, which you can type on via the webcast.

And with that, I would like to hand over to Rafael. Thank you.

Rafael Padilla: Thank you very much, Karen. Thank you all for assisting to our webcast. We are pleased with the set of results that we delivered during this first six months from both an organic and an M&A perspective. Our 13.1% REBITDA growth shows resilient performance in a challenging operating environment with high inflation and supply chain disruptions.

We execute well on our M&A strategy, having four new companies in the family, followed by the one in Boston that we will speak later on. We remain strong in the cash flow generation, giving us power for further growth in the upcoming years.

Then we move to the next slide on the operational update. We are very happy to welcome two new colleagues: Vera Bakker and Maarten Pouw as COO and Area Leader EMEA. Vera Bakker, of course in in the story, as she has been non-executive director for the last year, will bring strong operational knowledge to our company. And Maarten, who has good managerial and commercial skills will bring experience in the pharmaceutical raw material business.

When we move to our procurement and supply teams that we installed during COVID, we have been able to synergize our global footprint in order to limit the supply chain disruptions. Of course, we have executed on our Fagron global brand strategy with the launch of Dilucap, the most complete, extensive, and patent, excipient line in order to help our customers to compound hard shell capsules. We have followed - Karen, congratulations - with our sustainability agenda as well.

Going to the regions. EMEA performed as planned. We have been able to stabilize the region. And it is very nice to see our Compounding segment, Compounding Services segment, in the Netherlands showing now growth. This has been supported by the renewal of important contracts at the wholesaler and GPO level. As said previously, we have also been positively exposed to nice markets like the German one. And now, we have totally completed the transition to our new Polish facility.

For LatAm, it has been a challenging semester. Macroeconomic environment has put some pressure on the consumers that decreased the demand in general. This has been translated into an increased competitive landscape, where price has been an important element in the short-term. We have reacted because we believe that we need to keep, protect, maintain our leading position and we have even grown at 4% in both volume and price. We are now integrating Mexico and Colombia, as you know, with new facilities state-of-the-art at cGMP.

When we move to North America, we have seen strong commercial execution. We have seen growth in our three segments: the Brands and Essentials, the prevention and lifestyle with Anazao and our sterile outsourcing facility in Wichita. Here, we have now a run rate of US$ 83 million. Operationally, we have moved the warehouse across the street. As we said, we have now a greater post-production area. We have installed a third shift. We are now, as we speak, installing the semi-automated labelling machine. And at the beginning of next year, we will install the visual inspection one. Very important to remark that the global shortage of sterile syringes is something that we need to monitor closely in order to get to our US$ 125 million run rated.

When we move to the next slide: given the developments of our Minnesota facility, we want to start saying that we do not compromise quality at Fagron. Highest quality standards are extremely important for us, as we see this a great competitive advantage. As we said during the Capital Markets Day, our operations in the B&E in the US have priority, as we did with Brazil and Poland to have an upgrade. Of course, the acquisition of Letco gives us a nice operational footprint. The warning letter accelerated this integration. And we might see temporarily a displacement of output of the products. Specifically, on the warning letter: in November last year, we did get an audit from the FDA. There, we did get some remarks. We closed a majority of them, remaining three. In June this year, we received a warning letter. We appointed an external experienced consulting firm to help us throughout this process. In the timeframe, we responded with the remedial action plan. And now, closely with the agency, we are going to inform on the steps we take in its implementation.

When we move now into our M&A strategy, Johan and the team performed extremely well. We acquired Letco, that of course next to the operational footprint, has also brought us to the second position in the Brands and Essential market having a more extensive portfolio.

In Belgium, we acquired Pharma-Pack, the leading packaging supplier in the compounding market in the Belgian market. Now we have a full and extensive product portfolio defending our leading position there. Curaphar has been very interesting because for the first time, we have taken proactive measures in order to protect our Compounding Services segment in the Netherlands and shows now the first, or it is bringing now the first difference. Hiperscan, extremely important for us in the German market, has brought next to the new technology that we implemented in our Fagron lab division, commercial exposure to gain market share in the Brands and Essential market in Germany.

And of course, as we said before, during the first week of July, we welcomed our new 80 colleagues into the family at the new Boston facility. This one is very important from a strategical perspective. We always said that we were a tier two player in a very attractive growing market of sterile outsourcing services in the US. Now we can proudly say that we are a tier one player with a strategic presence on the East Coast. This facility, a cGMP state-of-the-art facility, is set up for sterile to sterile IV bags. And this complements the product range of Wichita.

What are we doing now, as we speak? Four things. First of all, integrating the back office, the operational footprint, quality control, R&D in order to generate synergies with the two plants. Secondly, we are now applying for new state licenses, and even though, of course, the strategic importance of the East Coast is there, we believe that we have opportunities also in important states like California, Texas, Florida. Third, we are bringing the product portfolio to an optimal level. You need to think that we want to have two sites having the same offering with the same process that will bring, again, as we said in the first point, great synergies. And fourth, of course, we are onboarding new customers. And this is something extremely important because now we can tell customers, look, again you have the redundancy, East Coast, center of the US, you have total exposure.

And now, we handle it to Karin. Karin?

Karin de Jong: Thank you, Rafael. Good morning, everybody. So, the financials provide a resilient picture in a tough macro-economic environment. We see our sales growing by 18.8%, driven by growth in all regions and all segments.

Our profitability margin is at 19.3%, representing the changes we view in the operating environment due to inflation, and supply chain disruptions globally. We will come back on that later on in the slide deck.

Our earnings per share grew by almost 30% to €0.48 per share in comparison to €0.37 last year. Our free cash flow, a very strong denominator of our business model, increased by 44% to €32 million in the first six months of the year. Net debt to EBITDA leverage slightly increased from 2.1 by the end of 2021 to 2.2 at the end of this semester, leaving sufficient headroom for acquisitions.

In this slide, we see on the one side the sales bridge, where we see the contribution of the different regions to our sales growth. We see organic growth in EMEA by 2%, Latin America growing by 4% organically, North America growing by 18%. We have the acquisitions of €21 million in the first six months, of course mainly the acquisition in the US. Letco drives this acquisition growth. And on top of that, we have tailwind because of the strengthening of the Brazilian real and the US dollar against the euro in the first six months. Overall, 18.8% top line growth. And on the other side of the slide, you see the P&L for the first six months. Indeed, the 18.8% on top line growth, very strong developments. Profitability, an increase of 13.1%. And if we look at the financial results, we see a positive result on the valuation of an IRS we have, impacting that line by €4 million and an effective tax rate of around 20 million, sorry 20% resulting in a net profit of 38% increase and net profit per share increasing almost by 30%.

Moving to the segments' sales development. So, each segment we have contributes positively to our sales growth. We see the Essentials being still the most important segment for us as a group, growing by 19.3%. Growth is driven by acquisition growth. As you know, we acquired Letco, which is basically Essentials growth, that we see contributing nicely to that development. We see also nice developments in EMEA. So organic growth against constant exchange rates at 4% for the Essentials business.

On the Brands side, it increased by 7.8%. Brands for Fagron, as you all know, is very important. It is our innovation; it is our driver for new and being different in the different markets we are in. We see there, the impact still of COVID products in 2021 positively impacting that sales, but now having a slight negative impact for the comparison year. And on top of that, we disposed some of our CMO business, which was related to Brands. If we carve that out, and we expect – and looking at the second semester - we expect growth there, again. Nice developments for the Brands in the Latin America region. And we will come back to the dynamics of that market later in the presentation. But nice developments on the Brands side for that specific region.

And then Compounding Services growing fastest of all the segments by 16.7% at constant exchange rate, growth driven importantly by the US, of course. So, on both sides: Anazao and the Wichita facility, we see very nice sales developments in the first six months. On top of that, we see stabilization in the European region with Compounding Services showing a total growth of 3% in the first six months. So overall, Compounding Services growing fastest, and we do expect that Brands will increase faster than Essentials when we normalize the divestments and the COVID related products.

If we move to the revenue and profitability dynamics across the different regions. So, Rafael mentioned the operational developments. This is reflection of the results in the first six months. EMEA, as mentioned, 4% or 2% top line growth, driven by product launches, better product availability, stabilization of the Benelux markets. On top of that, some small acquisition growth with two [three] acquisitions we did earlier this year. However, we do see that there is impact inflationary and on supply chain, which has an impact on our operating expenses throughout. With the contract structure we have with our customers in that specific region, it takes a bit more time to pass on price increases. That has an impact on our profitability in the first six months. However, as time passes, we are confident that we can pass on those price increases in the next couple of months. And that will have a positive impact on the profitability level for that specific region.

If we move to Latin America. Latin America having a sales development of approximately 4%. If we look at the profitability, we see it at 17.4%. And this has to do with a softening in end market demands, and that is inflation driven. We see demand decreasing in a very competitive market that has an impact on pricing. We felt that in combination with the FX impacts we face with our inventory and the real strengthening against the dollar. So those two elements play into the profitability for the Latin American markets. As we mentioned before, it is a very competitive market. It can go up and down every quarter. So last year, we had a very good end result in Q4 for that specific market. So, it goes up and down. We are very positive in the long-term because the dynamics of that market are very positive for compounding. So, we do believe that we will recover. However, quarter-on-quarter it can show a bit of a different picture.

Moving to North America. North America had a good first six months with 18% top line growth, driven mainly by the compounding part of the business. We there also see an enlargement of our profitability going to 18.4%. Of course, we have a slight dilution because of the Letco acquisition, which has, in general, lower REBITDA margin as we do the acquisition. On top of that, there is also an inflation impact in the specific North American markets. We can pass some price increases way more easily than in, for instance, EMEA because of the contract structure we have in that specific market. However, as inflation rises month-over-month, you do see a short delay in that. However, we do expect that with the increase in volumes in the next couple of months and years that leverage will create an increase in profitability margin on that side.

Rafael alluded earlier on in the presentation to our Boston facility. So, we acquired a very nice facility in Boston for FSS. We believe that that will accelerate our midterm growth plans for that specific market, so we see a huge demand. And this is an acceleration of our capacity. However, integration will take a bit of time as you can imagine. So currently, it is a loss-making business with a high single-digit full year loss. We anticipate bringing that to breakeven in a period of 12 to 18 months. There are some timing uncertainties that Rafael described earlier. We need to get licenses in different states. We need to do a product enlargement within that portfolio. We need to transfer products and optimize the portfolios between Wichita and Boston. So, we will provide some guidance on the longer term and the impacts on our long-term sales trajectory for that specific markets early February when we present the full year numbers for 2022 for Fagron.

Next slide represents the strong cash flow generation we had in the first six months. Despite the fact that we invested in working capital, we see that the first six months with the supply chain disruptions we face globally that we needed to invest in our inventory. So, we did. We did it in EMEA, but we also did it in LatAm and the US. While we believe that we need to serve our customers as well as we can, so that had an increase on working capital to slightly over 12%. However, on the longer term, we believe that we can go back to the levels of 10% to 11% of sales on working capital. And this is a temporary increase to serve our customers and to be proactive in a very difficult supply chain situation.

Capex was down by 27%. However, we do believe that this is a timing issue. And we will come back to the 3-3.5% guidance we have given on Capex. So overall free cash flow increased by 44% to almost €32 million.

And if we then move to the evolution of our debt, we see here that we increased our debt position slightly, of course driven by four acquisitions we have done in the first six months. And we see a slight increase of our net debt to EBITDA ratio. It is now at 2.2. So that leaves sufficient headroom for acquisitions. So, we have an interesting pipeline of acquisitions. And there is sufficient headroom to do certain acquisitions.

So overall, I think we had a good first set of results for the first semester, despite the circumstances we are in macroeconomically. And I will give it back to Rafael to talk a little bit more about the outlook for the second semester of 2022.

Rafael Padilla: Thank you very much, Karin. So, what do we expect to see in the coming six months? We will start with the revenues. We will land between €670 and €690 million.

Regarding the margin, we are going to see margin improvement in the second semester compared to the first one. As Karin said, we are now in the pricing pass through exercise, and we will see the benefits of it. And of course, as we said before, we are doing nice operational excellence programs in order to leverage our global footprint.

Capex, as Karin also was explaining, we will see it between the historical 3-3.5%. Of course, we need to consider some key elements. We have some uncertainties ahead of us, inflationary pressure, supply chain disruptions, the syringe shortage, we want to emphasize this one with the global vaccination programs. Nevertheless, we monitor with a dedicated team this one.

Of course, we said on LatAm the increased competition, of course, but macroeconomic circumstances and the geopolitical developments that we do not know. On the opportunities side, we will see an accelerated integration when we execute completely well in our B&E activities in the US. Again, the pricing pass through exercise that will show its benefits during the second semester.

Product breadth and innovation. We all know that Fagron is a highly innovative company. We saw with the launch of the Dilucap and also in our sterile outsourcing services facilities, we have launched the first epidurals. Again, operational excellence program, we welcome again, Vera, as COO of the company, will leverage a lot our global footprint. And of course, regulatory dynamics that for the long term are very beneficial to us. Karen?

Questions and Answers

Karen Berg: Thank you, Rafael, and Karin for the explanation. We already received quite some questions, so I am going to read them out. Some of them are obviously duplicate. So, I will try to filter for double questions.

But to start with the Boston acquisition, because we got quite some questions on those. One of the questions was, if we could, like, say anything more about the price that we paid, the loss it is currently making, and what we expect when it comes to revenue and capacity going forward? So maybe I can give that one to you, Rafael.

Rafael Padilla: Okay. Thank you very much, Karen, for the question. Again, we see the Boston acquisition as a very important strategic movement for us. We are now tier one player in this attractive growing market. Regarding the pricing, it was a middle single-digit figure. The loss, as Karin said before, a high single-digit one. And the revenues, it is in a double digit – in the low double-digit range.

Karen Berg: Thank you. And is there anything you want to say about the potential capacity of the Boston side, given that it has the same size as the one in Wichita?

Rafael Padilla: That is a very good question regarding capacity. The square footage is the same. As we also were explaining during the presentation, we have a slightly different setup. The one in Wichita, as we explained, you have syringes, IV bags, different kinds of pharmaceutical forms. The other one in Boston, of course, you can compound different pharmaceutical forms. The setup, there is more on the sterile to sterile IV bags. So regardless the fact that the square footage is the same, capacity is somehow lower in that respect. We will always explain about the US$ 150 million to US$ 200 million capacity in our Wichita operations. Here, you could think between US$ 100 million to US$ 150 million capacity.

Karen Berg: Thank you, Rafael.

Rafael Padilla: Thank you, Karen.

Karen Berg: Some question, one more – two more questions on the run rate for FSS, Wichita. We get questions. It is US$125 million. Two questions. One, do we think we can still make it because the automatic visual inspection has been delayed? And the other one, why did we not increase it because of the acquisition of Boston?

Rafael Padilla: Right. So, thank you, Karen. And thank you for the question. We gathered the US$125 million revenue for Wichita, and we wanted to keep it like this during this year, because we have been explaining this run rate for the last years. And it is very important for us, as a business case, of course. So, what do we see with the current run rate to the targeted run rate were US$ 83 [million]. We have done the necessary operational steps in order to absorb the capacity, because as we mentioned, the demand is there. Right? So, when you see at our pipeline, our portfolio is complete. We have the demand. The customers want to order. There is more demand than we can offer. So, we have implemented a third shift. That is a very good step. We have increased postproduction. That is also a very good step. We are now implementing the semi-automated labelling machine. That is a good step. The fact that the visual inspection will come next year will not be a hurdle for the US$125 million. This is because the provider has had some supply chain disruptions as we are aware of, and this will come next year, though this is not a limiting factor for the US$125 million. Something that we really need to monitor closely is the shortage on the sterile syringes. As you know, this facility started totally focused with the syringe pharmaceutical form. And then one-and-a-half years ago, we added the IV bags that, of course, made the nice ramp up that we saw. Nevertheless, we need to keep our OR syringe line up and running in order to get to the US$125 million. And this shortage that we believe is temporary. And again, we are monitoring. We did put a dedicated team for it. It is key in order to get to the US$125 million. Thank you, Karen.

Karen Berg: Thank you, Rafael. Some questions for Karin from almost all analysts on the development of our EBITDA and our margin going forward in the second half of the year. People are interesting what is the cause of our confident that it will improve? And also, what – particularly per region? And also, what is the expected dilutive impact of the Boston acquisition? I think you alluded to it already.

Karin de Jong: Yeah. So maybe to start with the last one. So, on the guidance, we excluded the Boston facility; the dilutive impact of full year loss is high-single digits. And of course, we have a plan in place with the synergies and the potentials we see for that facility. But we will have a dilutive impact, and it is not included in the guidance we have given.

On the increase in profitability, if we look at the different regions, so EMEA is an important region and the most important one. We saw the EBITDA margin of 21%, a slight decrease compared to last year. So slight decrease compared to H2 of 2021. What we see in that market is that inflation has the biggest impact in the sense that it is not that easy to pass on price increases to customers due to the contract structure we have. So, we have a lot of contracts. Almost 60% of the sales is tied up in certain contracts. And that is with wholesalers or GPOs, or different organizations. We negotiate those contracts between 12 and 18 months. And there we do, again, the price negotiations. So, what we see is that with inflation coming in early this year, and also increasing month-over-month that it will take some time to embed that in all the contracts we have. However, month-on-month, we are confident that we can pass on price increases in those specific contracts. So, we expect if the circumstances remain unchanged, that we would see some benefit of that in the second half of this year for the European region.

North America, expect growth levels. It is easier to pass on price increases with a slight time lag on that. And we expect leverage as the facilities grow organically very nicely in the first six months. And we expect that to continue for the next months.

On the Brazilian and the LatAm market, we had a decrease in demands in combination with the inventory impact for that market. And of course, as we always say that it is a very competitive market. So, there is price competition on top line. We are the biggest player in that market. We want to keep our market share. And that is a little bit reflected in the EBITDA margin of the first six months. We do, however, believe that with the strategy we have, an initially short-term reaction will be pricing. But we invested in academies, in training people in our product portfolio with Brands. You see that translated in the 11% Brands sales increase for the first six months. But we are confident that that market will recover. It is difficult to put the timing on that, relating to the competitive environment and the pressures we experienced in the first semester. However, on the long-term, we are positive for that market. So overall, we believe that we would see an increase in profitability level for the next six months.

Karen Berg: Thank you very much, Karin. Rafael, I got some questions on the changes in governance, especially in the executive leadership team, from Stijn Demeester, ING, and Matthias Maenhaut from

Kepler Cheuvreux. The one question is, if you could say something about the departure of Constantijn van Rietschoten, our head of EMEA. And the other question is, what will be the mission of our COO? And what made we – made us decide to appoint a COO? And if you could say something about those two?

Rafael Padilla: Yeah. Thank you, Karen. Thank you, Matthias and Stijn for your question regarding our leader EMEA. Of course, we are very thankful for the 14 years career of Constantijn in Fagron. He left to pursue new opportunities, and of course, we welcome Martin as new leader EMEA.

Regarding the COO, Vera Bakker, very experienced in this area of the company. We decided to take this step because we saw during COVID – COVID taught us that operational excellence is extremely important. Again, we are the global consolidator in a highly fragmented niche market. So, when you synergize our global presence, when you can leverage that one, we can really see some nice benefits. We have, of course, historically focused on business development, innovation, we keep that one. So having strong operational backbone, we certainly believe that we will bring in this company to the next level.

Karen Berg: Thank you very much, Rafael. Stijn, we will answer the rest of your questions offline. So, you know, I did not ignore them. Then some questions on the supply chain and the raw material supply. Rafael, could you say anything about the developments there? And has it changed over the last few months, given the lockdowns in China?

Rafael Padilla: Sure. So, we live in an uncertain period, and of course supply chain disruptions, it is there. We could say that we are getting used to it. We started with COVID, then the China lockdowns, the war, etc. So, this – and again, COVID has been very teachable for us - we learned how to navigate through these turbulences. We appointed the procurement and supply team. Now, of course, Vera coming on board. We made a nice step to the production plant in Poland. We streamlined portfolios in some operations in Europe, if you remember, and is now showing off. It is paying dividends. Now we see with the good results in this region. So going forward, what can we say, of course, it is difficult to predict. What we can say is that we, as a company, have taken the right steps to consolidate and to leverage our global operational footprint.

Karen Berg: Thank you very much, Rafael.

Rafael Padilla: Thank you.

Karen Berg: Some questions on LatAm. I think the first one was already answered by Karin. What our expectations are for the second semester in LatAm, and why we think we can improve margin there? The other one may be for Rafael is, what we see quite an impression, or a good growth in Latin America; but could you elaborate what was pricing? What was volume?

Rafael Padilla: Sure. So, as we said, right, the macroeconomic environment is not helping in that region, particularly in Brazil. Of course, the long-term fundamentals, as Karin said, are there. It is the biggest compounding market in the world. The long-term fundamentals again, prevention, personalization, are there. So, it is a very interesting market, very dynamic, very innovative. We have helped this short-term price pressure with increased competition because of lower demand. We have reacted extremely well. The teams have reacted very assertive to this one, because we want to protect and expand our market share there. And you can see it translated in the volume. So even though in a market that performed what demand lesser, we have been able to grow volume as well gaining market share in – again, in a very attractive market.

Karen Berg: Thank you, Rafael. One more additional question from Frank Claassen from Degroof Petercam. Can you share anything on the impact on pricing of the strengthening of the Brazilian real, and on the more aggressive competition?

Rafael Padilla: Right. Thank you very much, Frank, on your question regarding the Brazilian market. Again, this – we are going to repeat ourselves in this respect, because, of course, as Karin mentioned, on the inventory side, you have the cycles, three, four months, five months, depending on the product, depending on it is coming from overseas or not. And you see there, the fluctuation in some products, the majority of them. Maybe you start with a lesser competitive edge, but then you normalize it later on. So that is good for our second semester expectations, right? Again, we want to protect, defend, and expand, as we did volume-wise in the first semester, our position in the Brazilian market.

Karen Berg: Thank you very much, Rafael. I have one final question. So, if there is anyone who wants to ask one, do it now. That is a question for Karin from Christophe Beghin from Kempen, asking about the pressure on the share price. Looking at the current share price, the valuation of the company is getting cheaper and cheaper. Is a share buyback something that you would consider to improve the share price?

Karin de Jong: Yeah. Thank you, Christophe. If we look at where we allocate our capital: it is on the growth. We believe we have a very good strategy going forward, growing organically in combination with acquisitions. And we believe that the allocation of our cash is better in that respect on the growth side of our strategy.

It is difficult to comment on the stock price evolution. As you can imagine, that is not for me to say something about. So, at this point in time, it is not something we consider. Of course, that can change, but on – for now, we are focusing on growing the company. And that is where we allocate our capital.

Karen Berg: Thank you, Karin. One further question came in from Eric Wilmer, ABN ODDO for Rafael. The sourcing from China. Given the current geopolitical developments, particularly between China and US, how quickly can we switch from suppliers in China to other suppliers elsewhere in the world?

Rafael Padilla: Yeah. Thank you, Karen, for the question. Thank you, Eric, for your question regarding suppliers coming from China. Of course, the situation, it is uncertain again, as we have been living in the last period of time with a new element now. When you look at our sourcing globally, just take it globally, 50-55% are coming from Far East, not only China, but of course, India as well. So, we have good relationships there. We have in our global quality policy more than one producer audited and approved. And that is very important, because then you can switch off suppliers. So, when you look at some commodities – well, more on the Essentials side, the commodities. Here, you see that China is, of course, quite competitive. But though what you also see is there is some new players are arising in, again, India, that was historically more on the intermediates, and we have good contacts there. So that could be an option if the situation would go into another direction. And of course, we have European traditional producers, where we have also good contacts that we have also audited and approved in our global quality system. So, switching, of course at the beginning in the short-term will get some turbulences, though, in a mid-term, we believe that we are very well-positioned, because again, we are reinforcing our procurement and supply footprint. And this gives us the opportunity to switch from supplier as they are already audited.

Karen Berg: Thank you very much, Rafael.

Rafael Padilla: Thank you, Karen.

Karen Berg: One further question from Frank Claassen, Degroof Petercam, also for you Rafael, on the M&A pipeline? How is it developing? And is there any particularly focus at this moment in time?

Rafael Padilla: All right. Thank you very much, Frank, on your question regarding the M&A and the pipeline. As we have seen, we have been very active. So, Johan and the team - we have a dedicated team as well; we have improved the organizational footprint there as well - have delivered, have executed according to plan. Of course, it is typical the funnel, as we all know, the leads, conversations going forward. We have, as we mentioned many times, some reached pipeline there. So, they are doing a very good job in that respect. And we said during Capital Markets Day that we would look into Europe and US.

You have seen also executing their first six months. But of course, we always look at opportunities when they arise. And protecting and defending market share is extremely important for us as well.

Karen Berg: Thank you.

Rafael Padilla: Thank you, Karen.

Karen Berg: Just one new question came in. I am just trying to read it. Thank you, Maarten. We will get back to you offline on this question.

So, with that, I would like to thank Rafael and Karin for their time and explanation, the answering of questions, for all the people on the line for listening in and asking questions. And I wishing – wish you a happy rest of your summer holidays. And hope to see you again in October when we present our Q3 results. Thank you.