Selecta Q3 & 9M 2022 Results Noteholder Presentation

Wednesday, 2nd November 2022

Welcome

Angela Cinelli

Investor Relations Manager, Selecta

Welcome

Good afternoon all and good morning to those joining us from the United States. Welcome to Selecta's third quarter 2022 results presentation. Please note that the call will be recorded. On the call today we have with us Christian Schmitz who is our Chief Executive Officer and Nicole Charriere who is our Interim Chief Financial Officer.

Before we initiate, I would like to refer you to the disclaimer which you can find on page two of this presentation and as a reminder after the presentation a Q&A session will follow.Moving on to the agenda page today's presentation will cover the business update and nine months financial highlights and Q3 financial results. I kindly remind the speakers to refer to slide changes as they progress through the presentation. Now I would like to hand over to Christian.

Business Update & 9M Financial Highlights

Christian Schmitz

Chief Executive Officer, Selecta

Business Update

Thank you very much Angela. Good morning everyone, good afternoon. It is great to have you all on again for our quarterly results. We are excited about the next upcoming hour. As Angela mentioned, we will go through a brief presentation, overall year and Nicole's going to give some more details on the quarter. Then we look forward to some interesting questions. We will start with page eight. I thought before we get into the numbers, I would give you a brief business update. As you know, typically we are going to go much more in-depth next time when we will present the full year so today's brief update is mostly on trading. I think it is important to also do a brief recap of where we are.

Obviously, a lot has happened here over the past few years and we are in full swing of our foodtech transformation. The new formats that we have presented are in full swing. There is a lot of activity happening there on new installations, food markets, smart fridges, snack markets, autonomous shops, premium coffee with Starbucks. The entire thing means we are getting more and more traction. We are really excited about a bunch of new installations with our premium retail partners, thinking of Albert Heijn, Delhaize, our first Coop To Go in Switzerland going live, so a lot of activity on that front.

As you will see in our numbers that and the overall performance results in growth in the business, double-digit, which we are very proud of. We are going to go into that in more detail. The whole concept, I just want to remind everyone for 30 seconds, that we are taking here is very different from our competitors. What we do here is we have built this incredible broad range of brands, partnership solutions and we speak to our clients, understand their needs and then bring something that is tailored to the client's needs. A lot of other players in the space that we operate in they show up with one solution and one brand and they try to sell it. We do not do that. We are a group of people who truly believe in understanding your clients' needs, have an incredible broad and innovative solutions with attractive brands that we bring to them. We pair them up with great service and think that is how we build a great business over time.

We are integrating more and more modern technology. We talked a lot about telemetry and our new CRM solution that is live. We have increased telemetry share further over the past quarter. We have made major strides. We will complete France by the end of the year. We have got another major effort in Italy and that basically gets us pretty soon to full telemetry in all machines where we think it is relevant. Of course it is a platform that truly helps us to drive productivity further. Full connectivity means we are going to the right spot at the right moment in time. We do not show up late. We do not show up early. Service levels go up and we can service it with fewer people. Those are the structural things that we keep on focusing on. They cost money but we think it is critical to continue that journey and stay on it and we think that is the best preparation that you can do for the upcoming difficult economic times that I think are all ahead of us.

The GLOCAL business model continues to be executed which means we deal with a lot directly. We drive partnerships directly. We have got a structured methodology when it comes to working our pipeline, to building our assortments, to optimising our planograms. With all that we factor in local tastes and local interests that our clients have. With all of that we remain cost focused. You will see throughout our P&L that we continue to further improve personnel costs, other overhead costs and the entire bucket. It is very important that we stay lean and drive that productivity further.

All of that is embedded in our sustainability approach which is essential for us. We have got a very big event coming up in a couple of weeks from now where we are completely relaunching our Pelican Rouge. I would say it is the first real at-scale coffee brand out there that goes all-in 100% sustainable right from the get-go and that is very exciting. We cannot wait to share more and more of that towards the end of the month with a big press event that we are going to hold. We are going to be part of the rebirth of Pelican Rouge. With that brief business update I will go to page nine and show you how that manifests in the financials year-to-date for the last nine months.

9M 2022 Financial Summary

EBITDA margin protection whilst facing headwinds

Let me start with the top line. We have got strong net sales growth in the business of +15.7%. That +15.7% of growth is something we are driving while we are still improving the footprint of our entire clients and machines out there. There are still client relationships where we actively decide not to continue and still we drive the growth. You will see later in the presentation that we have got around 7% of pricing impact in our top line growth which leaves you with 9% of top line growth that we have been driving in fairly difficult times. I know it feels like Covid was a long time ago, but I still want to remind everyone that in the first quarter there were still a lot of lockdowns in there and we were going through Omicron. It feels like years ago but it was this year. Now obviously we are going through a time also where in quarter three we see consumers getting a little more cautious. We think this is an incredibly strong number that we are presenting here.

That net sales growth also translates into adjusted EBITDA growth, up 15% versus last year at €154.8 million and a strong adjusted EBITDA margin at 17.8% which is flat when you look at it post IFRS 16. It would be up 1.3 percentage points pre-IFRS 16. Nicole can explain that later in detail, but part of the reason is obviously that we have been right sizing the business, getting a much smaller vehicle fleet and other impacts that influence the IFRS 16 result here.

That means the total LTM EBITDA has increased to €219.5 million so that one continues to go up. Then as you see with all the investments we are making and still with some of the transformation we are doing there are a lot of one-offs that are flowing through the business because we are transforming. We are rightsizing and I will talk a little bit more about that in a minute. We have got free cash flow year-to-date of €55.3 million and a very, very stable and comfortable liquidity headroom of €138.6 million. You see the trajectory here over the past quarters. We are focused on cash. We are making sure that we retain that very, very healthy balance because I think that is what good companies do especially when you get into more uncertain times. Things can go many different ways and it is important that we maintain a very strong cash position on the one hand but at the same time stay the course, continue to do the transformation restructuring that is required in order to have an excellent business.

That is I would say in summary what we are focused on here. I want to talk about a few more things before I hand it over to Nicole.

We Continue to Grow our Business

I will talk a little bit about sales growth. I want to give you a couple of datapoints and then leave it up to you to make up your mind in what conclusions you draw from that. I mentioned the overall sales growth of 15.7%. We have broken it down through the different sectors to give you a little bit of a sense here. You will see that there is a strong recovery on the semi-public side. Education is back and hospitals are relaxing the constraints when it comes to visitors. You have got private growth and public growth which has been pretty strong in the past. It is probably a little under the group average. You see we have got the growth sitting in all segments with a little different weighting here.

The interesting thing I really want to point to is our sales per machine per day growth which is 30.7%. You might wonder how it works. On the one hand you have got your overall growth but then your SMD is much stronger. What are the conclusions from that? The reason is we have a lot of focus on really driving productivity and drive that further. We continue to look at assets that are underperforming and we take them out. That of course costs money because if you take an asset out you have got to go there, you have got to physically uplift it, sometimes you have got to build space back. All these things are required but what we are looking for is essentially this is not just growing in order to grow. What we are looking for is profitable growth. What we are looking for is being able to bring value to our clients, really identify their needs, sort them out. Whenever we can do that we will have a successful business. We will have a differentiated value proposition. We will be able to generate healthy margins. If we have got a business somewhere which is fully commoditised, there are no differentiated slash you have got low revenues on the assets and you have still got to service them all the time. That is a business that does not make a lot of sense for us. We continue to see that we have got a very strong focus on SMD and SMD growth. Drive the productivity and then take our business forward. That is the perspective that we have on net sales.

Then really with the entire suite of solutions that we have brought, the CRM that we have put in place, the daily rituals, the sales methodology they are what is really starting to fire our growth engine. There are a lot of signatures that we are getting and a lot of new business growth that we will talk more about when it comes to the full year presentation three months from now.

Our Pricing Power Allows us to Protect our Margins

Briefly on pricing cost margins, it is a tough environment for anyone who is dealing with food & drinks and coffee, there is very strong inflation that happens and continues to happen. On top of that energy prices remain high. We certainly felt the heat from the natural gas price increase at our roaster, so these things continue to happen. Then I think as everybody knows the main different piece that gets on top of that for 2023 is much stronger wage inflation. We are also in a market where we have to be competitive. It will have a substantial impact on our personnel costs going forward. That means that we have to continue to drive productivity. That is why the telemetry and the centralised route planning, the algorithm and all that is getting even more important. And we have to execute on our price increases.

Now, as you can see a quarter ago we mentioned 6% had been implemented and now we are up 7%. We continue to drive that price increase programme forward. It is happening this quarter. It is going to happen next quarter. There is an important difference now. When we started our price increases back in 2021, beginning of 2022 we had to do it off an inflation number from 2021 that all our clients looked like or a CPI that was still reasonably low. We saw on the one hand that we already had a lot of pressure because coffee was going much higher than the rest of the market. Now when we are going to the next run obviously, we are doing it in the backdrop of a much higher CPI in 2022 which also allows us to negotiate differently and pass more of these price increases on. I think we are optimistic that we will catch up here and be able to drive these price increases that are necessary for the rest of the quarter and then into 2023.

We have got different types of businesses as you know and some businesses the consumers themselves pay. In other businesses the company pays and the coffee and snacks are free. It also depends a lot on geography, but we of course have got to be very cautious when it comes to the places where the consumers pay themselves. You can increase the prices. It is fairly easy to implement. You do not have many contractual constraints but at the end of the day there is price elasticity and you have got to figure out what the right sweet spot is. We cannot just rely on price increases themselves. We have got to continue to drive our productivity. We have got to continue to optimise our category, our assortments and we have also got to drive everything that is another overhead. It can be anything from fleet to real estate to energy savings, all the things that you can drive an impact and where you have got to go extra hard when you have exceptional circumstances like we see at this moment. We will continue that path in 2023.

Liquidity Remains a Priority

Then I think the results of those actions when you look at it from a free cash liquidity perspective, I mentioned the €55.3 million free cash year-to-date and also what you have got here is our liquidity evolution, quarter one, quarter two, quarter three. You see there is a lot of stability in there but I also want to flag here that we will continue to incur one-offs in 2022 and also some cash out due to actions we are taking right now that go into 2023. We have got three countries where we think we have still got to continue to drive productivity further and actions are required. Those countries are France, Italy and Spain. We are very focused on that. However, we believe this is the right thing to do. We are not going to shy away from it because we are finding a more difficult environment now. Actually, I think this is a reason to double-down and go even more aggressive on it to make sure that we get it settled once and for all. We have got the right structure and we are prepared for whatever might come. That is the context on that but I would guess there is going to be a question at some point around the one-offs, the total amount and how that looks. I just want to give you that pre-emptive commentary here and obviously Nicole you might give some more detail if any asks the question.

As you see, before I hand it over to Nicole, strong sales growth. We are very, very happy about that. Even stronger SMD growth which means productivity of the system grows faster. We think we are focused on the critical pieces in the business that we have got to be focused on. With that Nicole, over to you for some more details on the third quarter.

Q3 Financial Results

Nicole Charriere

Interim Chief Financial Officer, Selecta

Q3 2022 Financial Summary

Significant growth in Public and positive trend in Private

Thank you Christian and also a warm welcome from my side. I will now talk you through our achievements of Q3. Q3 is again a quarter with significant growth in net sales. We have seen double digit sales growth towards 14% which is driven by very strong performance in public, landing at 15% versus last year, as well as a positive trend in private being 13% up vs last year. Just as a little technical reminder at that point in time the numbers you do see here are based on actual FX rate so there is a little upside included which comes from favourable FX impact being Swiss francs. If we would have a look at the number at a constant currency concept growth would still be at a considerable 12%.

If we have a look at the adjusted EBITDA then we land at €56.5 million which is 7.7% better than last year and the adjusted EBITDA margin is at 19% which is 1.5% better than we saw in the last quarter. As in the year-to-date we have an impact coming from inflation and the timing of selling price increases as we saw continuous pressure on our gross margin. Also, we were able to continuously pick up on our sales price initiative particularly towards the end of the quarter.

On the cost side we remain very disciplined. We still have a very strong cost management in place and we are focused on the achievement of our productivity gains. Thanks to all those actions we were able to keep our pre-IFRS 16 EBITDA flat at 16.2% and there we do have the same topic as Christian already explained to you, as we have heavily worked on the rightsizing of our fleet to make our business more profitable which is only partially reflected in our post-IFRS 16 EBITDA as fleet and real estate is being capitalised under IFRS 16 and then depreciated over time.

As Christian already outlined earlier, we continued to invest in the profitable future of our company and as a result we had higher one-offs than we had in the previous third quarter which is the reason for the reported EBITDA being at €40.3 million, 9% lower than last year. Also, we have done a good job on the free cash flow generation which also went up from €22.4 million last year to €26.6 million this year. Then as a result of that free cash flow generation we were able to maintain our very strong liquidity headroom, landing at €138.6 million. Also, we had to pay interest notes in the quarter and we still saw impact coming from cash out related to one-offs.

Q3 Group – Sales by Segment

Strong SMD proves resiliency of our business

Then I will tell you more about the sales per segment but also about the development of our SMD. First of all, the SMD across the whole group shows a very strong growth versus last year of 30.7% bringing us to an SMD of €10.8 which is €1.5 higher than what we saw pre-Covid, and I just want to reiterate what Christian said before as I strongly believe this is a very, very strong metric bringing us also in a very good spot. When I look at the potential impact coming from the recession, having a very effective cost base due also to the strong SMD due to the lower machines park we are able to operate our machines much, much more efficiently. Thanks to our asset utilisation initiatives we were able to reduce our machines parked by 40,000 machines within the last 12 months where 12,000 machines were removed in the quarter we talked about. As I already mentioned, that is thanks to this reduction we are able to enhance our operational efficiency as well as service quality.

If we have a look at the sales by segment then we do have a very positive momentum in private with both sectors, service & administration and manufacturing & logistics trading positively. In September they now reached 86% of 2019 levels which is the highest level we have seen since Covid. Semi-public already started from a higher base last year but also here we saw growth particularly in retail and Horeca due to the eased restrictions in all of the countries. The very, very strong results on sales we achieved in public where we do have a very strong performance in the recovery at airports as travel activities picked up in post-Covid times and public trended above 2019 levels in Q3.

As a result of all that I have explained right now SMD goes up in all of the segments with a record high SMD in public ending at €29.7 which is another improvement by €2.7 on an already record high SMD in Q2 2022.

Q3 2022 Net Sales by Country vs Last Year

Continued growth positive trend

If we have a look at the contribution to our net sales on a country by country basis. Here again as a reminder we are looking at financials at actual exchange rates meaning we see a tailwind coming from Swiss francs and headwind coming from Swedish krone in the numbers on this slide. However, let me give you a few insights on the key developments by country. We see an excellently performing Nordic region which is mainly driven by private, and this region is also the one which is affected by a very high inflationary environment. Then we also saw a very strong performance in the Netherlands in both segments, private and public. If you then have a look at the countries which are more on the right-hand side of the graph you will find France. Although France, is on that right-hand side, I think there is a momentum where especially we also see a very strong performance in public due to the higher activities in the airports. Really a positive trend in France. In the UK we had a higher base already last year and on top of that we saw an impact from the removal of underperforming machines or ultimately from our initiative to only continue with profitable growth. Here we see from the new base a stronger profitability going forward. The only country not trading above last year's level is Italy where we see a low number of net gains and volume losses driven by operational inefficiencies.

Q3 2022 Net Sales and Adjusted EBITDA by Region

Growth across all our regions

On the next slide we then summarise what I just told you on a regional basis. We see a very well performing Nordic region generating growth of 27% whereas our southern segment shows moderate growth at 3.1% due to the reasons explained before.

Q3 2022 Adjusted EBITDA

Continued tight cost management whilst structural productivity gains

Then we would look at the full P&L of this quarter and as a little recap on gross margin we continue to see a phasing gap on these price increases which shows improvement towards the quarter end. On top of that we suffer from a mix impact driven by declining share of fixed fees and a stronger public coming with lower margins. On the tax the cost ratio is down further by 1.8 percentage points as we continue to optimise our business activities. We ended the quarter with 6,700 FTEs which is 400 FTEs less than we had at the end of 2021. Nonetheless we had a strong sales growth despite the reduction of those FTEs which was supported by route optimisation and the removal of underperforming machines. Just bear in mind that the furlough we had in that quarter is immaterial. Other good news on the other overhead costs ration which is down 8% versus last year which is driven by our managerial approach to costs. Also we saw exposure to inflation of energy, fuel and logistics. Then on the one-offs we already previously touched that point but we have continued to invest in our future profitability which brings us to a one-off number in the quarter of €16.3 million.

Q3 2022 Working Capital and Capex

Discipline in working capital management and capex

Then on net working capital, it shows a slight increase versus June 2022, mainly driven by sales growth and restructuring cash outflows. We do have initiatives ongoing to further optimise our working capital especially also the trade receivables and inventory. On cash capex we have spent 3.6% of sales year-to-date which is close to the previous quarter when we were at 4.9%. For that particular quarter, as you can see on the graph, we do have a very low capex quarter. This is mainly driven by timing impact. We confirm our targeted range of capex which is 5-6%. Also in this quarter we worked on our client lease solutions. We were able to sign €8.5 million of client lease contracts which means that we grow without impacting our cash flow which for sure then also helps our free cash flow.

Q3 2022 Leverage and Cash Liquidity Evolution

Strong liquidity maintained

Our liquidity remained at the very strong level of €138.6 million, stable to last quarter. That €138.6 million consists of €75 million of cash at bank plus €63.5 million of available RCF. Within the last year we were able to deleverage from 9.2x to 7.6x on a reported EBITDA basis which is a strong achievement. Also, we see a slight increase compared to prior quarter driven by the additional one-offs. On an adjusted EBITDA basis, we see the leverage ratio of 6.1x which has steadily decreased over the last four quarters. This deleverage is also faster than what we had foreseen in the noteholder plan.

Execution Plan in Place Towards Cash Generation

Then let us recap our development of the liquidity headroom. As already said, we stay at the very comfortable level of €138.6 million due to the strong free cash flow generation at €26.6 million which was more than €4 million higher than in the same quarter last year. We were able to maintain our liquidity despite one-off payments of €4 million and note interest payments of €13 million. We for sure remain very, very focused on liquidity. We do have strong processes in place to maintain day-to-day cash discipline, but we also work on structural improvement programmes to protect our liquidity in Q4 and beyond. Having said that I hand over to Christian for the conclusion.

Conclusion

Christian Schmitz

Chief Executive Officer, Selecta

Right, thank you very much Nicole. That was great. Just a brief conclusion on page 23. Think as you have heard from both of us, we are focused on profitable growth here and free cash flow conversion in 2022 whilst keeping a resilient liquidity position. This is absolutely critical in the current times. However, we have got to drive strong growth quarter after quarter, clean up the business that is not profitable, make sure the organisation is in the right shape, have it as much on technology as you can have it and then just run a very good lean and efficient system, grow the business with the solutions and then continue to be on the trend. We are taking additional rightsizing actions. We never stop, we always continue to look at what are additional opportunities that we have. How is the business performing? What are some of the things that you learned over time? Then take the right swift action and that is what you see here. That is what we are currently going through. We are prepared to address the needs for the new market landscape inflationary environment. Now that we are building a plan for 2023 obviously, we look at the world differently than we looked at it 12 months ago. However, now we can address it in a different way and the backdrop, the CPI where a lot of our contracts are directly linking to CPI so now, they will be linked to the CPI 2022 which then allows us to drive pricing even more aggressively in 2023 if needed.

Then last but not least we keep on having the bullet point ever since we have done our first noteholder call. I think we have got to go back at some point and look through the presentations. Confidence in achieving our strategic plan in 2022 and beyond. That statement remains here and with that I would like to open it up for questions.

Q&A

Stefan Binder (Palmerston): Thanks for taking my questions. Two from my side. Earlier you said you took a 5% increase at the beginning of the year and then 3% in July which takes two months to implement. That will be fully in Q4 now. If you look at your cost inflation what further level of price increase do you need to offset that? Is that going to be implemented in Q4 then? If you can give a little more colour on the phasing of the price increases and the effect.

Christian Schmitz: Sure, thank you. I am not sure exactly what 5% and 3% you are referring to. We have communicated 6% price increase in the first half of the year and then I mentioned the number of 7% now in quarter three. That number continues to grow so the answer is there are additional actions that we are currently implementing. There is a whole new round that is being layered on top of that and I think you might have also heard between the lines of my commentary that from an executional price increase perspective there is an element of some of the contracts getting easier for us heading into the new year given that we have a number of contracts that are directly linked to CPI. At the beginning of 2022 they were looking at CPI 2021 which was still for the full year lower even though the entire world was swinging up. Now we have got CPI of 11% that we have for Europe which will obviously help us from an execution standpoint. That is very encouraging.

Then the last piece of comment there, I also want to remind people that when you look at the gross margin difference in percentage versus previous year, there are three impacts that you want to consider. The first one is at the time when we had a depressed revenue line and Covid impact we had disproportionately more service fees than margin from ingredients in our P&L. That meant that gross margin was a little higher which is a one-time normalisation effect. Now that we consider ourselves in just a steady new normal. We do not consider ourselves in Covid territory anymore despite the fact that people are only half in the office in many places. This is our new steady normal. That is the one-time effect. The second thing that you want to keep in mind is the mix effect that we had between certain segments. There was a stronger public which does has a little bit of a different margin profile. Then as you see the third one is that when you look at the cost increases that we had to take early in the year and the mitigation that we had to take obviously there is a bit of delta that we have got to catch up on. Then of course your overall baseline inflates up so we still make the same amount of gross margin in euros, dollars, pounds, Swiss francs or whatever you call it, which has an impact there. I think there are those four elements that you have got to try to decompose and then understand what the individual trends are. I hope that is helpful.

Stefan Binder: Yes, certainly. Just a quick follow. You mentioned the CPI-linked contracts. Roughly what percentage of your private business is CPI-linked? Then my second question is what you probably expected on the one-offs. In terms of P&L impact how much is there still to do and if you can us some clarity on the cash out for the remainder of this year and for next year if you can say? Maybe one for the CFO.

Christian Schmitz: Okay, I will take the first part related to contracts and then Nicole is going to give you some colour on one-offs, cash impact, phasing and all that good stuff, which hopefully then clarifies that. I cannot give you a specific answer on the CPI contracts. We have got a myriad of different contracts. I have been here for the last 6-7 years and I certainly the contract portfolio is different but Selecta is 16 individual companies with all sorts of contracts. Some are CPI-related, some have a coffee index in there, some explicitly exclude price increases period. We are of course still going back to clients and renegotiating those. There are clients where we decide we have just got to terminate them. That is the mix of the portfolio that we are dealing with here. Obviously on a go-forward basis this is very standardised. Every new contract we are signing has clear agreements in place so that piece is not out there anymore. However, that is still what we are muscling through. Nicole, you want to talk about the one-offs and the cash impact?

Nicole Charriere: Absolutely. What we expect to see in the full year P&L in terms of one-offs is an amount beginning with five so somewhere in the €50-millions. What this is composed of is the maturities of those one-offs are related to PEX restructuring or to bringing the right people into the right positions. Then we do have one-offs which are related to the broader sense of restructuring such as fleet rightsizing, real estate rightsizing and consultancy costs related to rightsizing. If we have a look at the cash perspective, then we plan to cash out in full year €35 million of one-offs.

Stefan Binder: Then the €27 million Pelican Rouge tax liability is that cash out for next year?

Nicole Charriere: For the €27 million Pelican Rouge liability there was a first court decision which basically is saying that €8 million of that €27 million has to be paid to the Dutch authorities so we are expecting that invoice in the next couple of weeks/months. There is a likelihood of that cash flow happening in FY22. Just to clarify this €8 million is not part of the €35 million just mentioned before. That would come on top. Then the remainder of the payment of the Pelican Rouge liability is then dependent on a further court decision which will not happen this year.

Stefan Binder: Okay. Just a follow-up. €35 million cash out of the €50 million one-off, do you expect then basically €50 million one-off cash out to lapse into 2023? Plus, the additional measures you are going to take in 2023.

Nicole Charriere: We do not comment on the future so we do not have guidance out there. You can just calculate what is left from one-off booked in P&L minus what we have communicated we pay that will then roll over.

Christian Schmitz: We will be able to give you a better picture on that. We are obviously now going through a lot of planning exercises for next year and there a lot of moving pieces. We will be able to give you some context on that when we do the full year and then get into that.

Stefan Binder: Okay. Thank you.

Christian Schmitz: Thanks for the question, appreciate it.

Toby Hanson (Boundary Creek): Hi, the first question was on the reason why you are drawing the RCF sequentially again when cash levels are higher. The second one was coffee has come down in price quite a lot over the last 4-5 weeks. Arabica is about 25% down. Can you detail as a percentage of your purchased goods how important coffee is? I will sneak in a third related one. What is your hedging decision in terms of buying the coffee? I.e. If the prices stay where they are now when might this flow through your P&L?

Christian Schmitz: Alright, on the financing side we do not comment on our financing activities when it comes to how much RCF we draw down. I appreciate your understanding on that. On the coffee side the coffee market for the past 9-12 months has been at a very elevated level. I think the drop that you are referring to is probably the steeper drop of Robusta that occurred in the market. That can swing back so I think it would be too early to say that there is a trend out here. The Arabica is holding up more so we continue to look at that. From a hedging strategy perspective, we have got a little bit of a dynamic model here in general, we try to be around nine months out. Then that extends sometimes a little bit up or down. That is the time horizon we are looking at but obviously we clearly follow the market from two perspectives. One obviously given that we have got our own roaster and got our own coffee activity there. Then the other one is obviously also if there is a continued trend from a coffee price perspective that is a strong trigger for us to go back to suppliers. In that moment then the beauty of our business model where we do not rely on one brand but have a portfolio of brands that we are working with is a different business model compared to what others have.

Toby Hanson: Then just coming back to the question on how important coffee is as a percentage of your raw materials?

Christian Schmitz: Coffee purchase volume was around 50 million for our business in 2021.

Toby Hanson: Thanks.

Stefan Binder (Palmerston): Yes, so taking a space if nobody else asks the question. On working capital if I look at the last few quarters we have always seen an outflow of working capital. Can you comment a little bit on the working capital and also have you reached an inflection point now that as you said you are out of the Covid woods? How should we think about working capital going forward?

Nicole Charriere: I think if you go through the line item of working capital then as I already explained during the presentation our main focus is on trade receivables where we see a potential to come in lower. On the other hand, we have also a growing business which will obviously impact the level of trade receivables. On inventory we were already continuously able to decline. I think this is going into the right direction. For sure we are on that topic as well. Then if we talk about provisions and other employee benefits this includes restructuring, so this is then in the long run expected to be reduced. Trade and other receivables will move alongside the development of the business.

Stefan Binder: Okay. Basically, we can expect a little bit of help from getting better on the receivables going forward effectively and then the rest should cancel each other out.

Christian Schmitz: Yes, we have got the beauty of our business model. When you look at the receivable side there is a lot of cash that we collect pretty fast. Then you have got the payables against it. In general, in business that inflates up while in a business in growth it is beneficial to us. There is obviously some action we have taken out. We think we still have some opportunity in terms of streamlining our receivables and speed up our collections in some of the markets. We are very actively working on that. Then of course on the payables side when you take a step back it has been a difficult Covid environment we went through but the more our business stabilises, and our business grows then also we can go back and agree more flexible terms with our vendors. There are some where I would say for a business that is properly performing, we should have an upside and improve those terms. We think on those elements we can continue to work and drive in the right direction. On the inventory side there is maybe a little more we can do but then again, I think the business is growing. At the same time, I do not think there is really much value in trying to keep your inventory in the machines as tight as you can. At some point you just have a conflicting equation to solve. You do not want to go to the machines all the time and you want to fully leverage telemetry when you do that. You want to balance it out, but I would not expect a massive reduction on the inventory front on a go-forward basis. Does that make sense?

Stefan Binder: Yes, thank you.

Christian Schmitz: Thank you very much, appreciate it. Thanks for taking the time. Have a great day and see you next time.

Nicole Charriere: Thank you.

Angela Cinelli: Thank you all. Have a good day.

[END OF TRANSCRIPT]