Selecta Group
Q3 2023 Results
Noteholder Presentation

Wednesday, 8th November 2023

Introduction

Angela Cinelli

Head of Investor Relations, Selecta Group

Good afternoon all, and good morning to those joining us from the United States. Welcome to Selecta third quarter 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 Charrière, who is our Chief Financial Officer. Before we initiate, I would like to refer you to the disclaimer that can be found on page two of the presentation. And as a reminder, after the presentation, a Q&A session will follow.

AGENDA

Moving on to the agenda page, today's presentation will cover business update and financial results, and I kindly remind speakers to refer to slides change as they progress through the presentation. And now I would like to hand over to Christian.

BUSINESS UPDATE

Christian Schmitz

Chief Executive Officer, Selecta Group

All right, thank you very much Angela. Good afternoon everyone. It's great to have you again on our quarterly earnings call. We are very excited again to report another very strong quarter in Selecta. And as always, I'll take the lead here for the first couple of minutes, walk you through the views year to date on our business, and then our CFO, Nicole, will take you through some more of the details on the third quarter.

9M UPDATE - BUILDING AN EFFICIENT BUSINESS AS WE GROW OUR FOODTECH

Let's start with a brief overview where we stand and what we're currently focusing on, it's page five of our presentation. First of all, we continue to focus on our full priorities that we laid out at the beginning of the year, and then we come back to every quarter here. The key priorities are Foodtech growth, margin expansion, EBITDA growth, and cash conversion.

Foodtech growth

On the Foodtech growth, we continue to have very strong Foodtech growth in the building and really build that foundation of what we think is really going to change the industry a lot over the next years to come. You'll see on one of the following pages that our Foodtech installations are up 47% year-to-date in number of units, so there's very strong momentum here. It's a real business that we are building.

And then the second piece, from a growth perspective, that we've also been very focused on as you know is the revenue that we turn per machine. You see that up by another 13.8%. We continue to focus on productive machines and client relationships where we drive value, where we help out with clients' needs, and we do it in a way that is productive and profitable for us. Those are our main focus, and that gets us to year-to-date sales growth of 4.2%. You'll see that the sales growth is coming down in third quarter, which is directly related to what I just mentioned, it's the strategic prioritization of the profitable Foodtech business that we're driving here in this company.

Margin expansion

From a margin perspective, we've got year-to-date an adjusted EBITDA margin of 19.7%. You'll see that in the third quarter we're substantially above 20% in the adjusted EBITDA margin, so we continue to improve the profitability in both adjusted reported EBITDA substantially. And the two reasons for that are the continued cost discipline that we've instilled in the business in day one and continue to drive it that way and the structural productivity gains that we have driven by a focus on profitable clients, with focus on machines that turn a certain amount of revenue, and that all gets us to these very strong profitable results.

Price increases have been important element in the margin expansion in this inflation environment that we're still in, even though we see some positive trends here when we look at the next year from a cost development perspective. It's still an environment that requires a strong amount of discipline here, and we're on track with the delivery of our price increases, and also, as the gross margin recovers further quarter on quarter.

EBITDA growth

From an EBITDA perspective, I already mentioned a few things here. The key highlight is clearly the expansion of our reported EBITDA, which is up 25.7% to 161.2 million year-to-date for the nine months. And this is a strong increase, and, as you can see, an even stronger increase versus the adjusted EBITDA that is still up an impressive 15.5%. But I think these underlines how the quality of earnings of this business here is improving quarter after quarter after quarter. As we all know, there's this substantial of restructuring amount that's happened in the space, a substantial amount of one-offs. There's still one-offs that we did this year that are becoming cash relevant this year, so it still impacts our cash flow. But the important piece for us, the foundation, the earnings quality, the reported EBITDA starts to grow substantially as we've demonstrated in the previous quarters. So that's the nine-month view, a reported EBITDA growth of 25%, adjusted EBITDA growth of 15%.

Cash conversion

And then from a cash conversion perspective, we got a free cash flow conversion of 33%. As mentioned, there's still a number of cash-outs that flow through, and Nicole is going to talk a little more through that, but still sitting at a very comfortable and substantial liquidity headroom of 126 million for the company.

The important message here is that all we do here is focus on the quality of the business, quality in the client relationships, quality in SMD, quality in profitability. That is what we're obsessed with, that's what we're driving on a day-to-day basis.

FEEDING THE FUTURE: GROWTH OF FOODTECH

We go to the next page; I just want to briefly comment on Foodtech. As I've done in the previous earnings calls, this is important and strong growing part of our business. Total number of POS over 1,500. So strong growth here to date, as you can see.

I just want to give you three examples, I've done that in the past, to highlight some of the sectors that we're really excited about at this moment.

Region Sjælland

One of the examples here that you see on the left-hand side is a hospital example from Denmark, smartfridge and coffee solutions. Substantial traffic in these hospitals. And we like hospitals because there's a lot of things coming together here. There's visitors, there's patients, there's staff, there's a true 24/7 operation that happens in these places. There's typically only food options available at a certain point in time. It's a great example how canteens and existing food options and what we offer in under tenant solutions can be complimentary and really work together in the interests of our clients' consumers.

We got that example, we got other examples just nearby the Nordic region. Oslo University Hospital, which is one of the largest, it's the largest hospital in Norway, where we just installed it for smartfridges, and also continue to drive that concept. And we've got a very strong demand in that sector for the solutions here and think there's great opportunity. So, healthcare, certainly one of our key priority sectors that we're looking at at the moment.

London Stansted Airport

The second one, which we continue to be very excited about is the entire airport space. Here, I think a great example of UK's fourth-largest airport, Stansted. We've got large solutions here where you have smart fridges, coffee, and all sorts of foods and drinks and snacks that we offer to the passengers. It's great, especially in peak times. Because anyone who's travelled through Stansted in the morning between 5:30 and 7 o'clock knows what I'm talking about when you look at the long lines there at any outlet in the airport. And just a great fit for people who want to grab something quick on the go. I think the same context, as some of you know, we do a lot of airport business around Europe, anywhere from Frankfurt, Charles de Gaulle, and Madrid, just to mention three of the largest airports in Europe where we're present.

We also got a great opportunity to upgrade our existing solutions there, and we just recently converted our traditional vending solutions, Zurich Airport, into smartfridge solutions and premium coffee solutions, with substantial uplifts that we see here from an SMD perspective. We'll continue to focus on transport segments and continue to grow new business the way we laid it out at Stansted, but also take our vast existing footprint and modernise it, invest into Foodtech and be able to offer a whole new assortment and ranges that we can't offer today through traditional vending, as we drive SMD through those initiatives.

Pilatus

Next one is a nice one, is also representative segment, Pilatus; it's a Swiss aerospace manufacturer. They do great product, great airplanes. And it's an employer that needs to be competitive, employs a lot of technical talent where there's strong demand for it, they're going to take care of their people. And again, we offered a range of smartfridges, snack markets, coffee and all sorts of solutions that they're really responding to those clients' needs.

And we believe that the entire industrial logistics sector is the third part, the third pillar here that we continue to be very excited about and where we think that solutions that we've built over the last year really match that. Typically, a high amount of people, high amount of transactions, a real need for companies to think through how to retain talent, how to create a more attractive environment. And that's where we come in, and we're perfectly suited to respond to those needs. That's the part that we're very excited about.

FINANCIAL RESULTS

And as we always keep it fairly crisp and short for our quarterly calls, I'll now go to the financial section and I'll go to page eight, and just briefly translate what I already mentioned in bits and pieces in the previous parts. Again, financial summary for the third quarter.

PROFITABILITY TURNAROUND DEMONSTRATING SUCCESSFUL TRANSFORMATION

Net sales up 4.2% for the nine months financial summary. Excuse me, Nicole's going to talk about the quarter in a minute. Reported EBITDA up 25%. Adjusted EBITDA margin up almost 2% points, 19.7. And then sufficient liquidity headroom as mentioned earlier.

Reported EBITDA growth clearly stands out, we think, from the results delivery year-to-date so far. Adjusted is looking strong. And then from a growth perspective, I mentioned that earlier, there's clearly a growth in SMD, we've got the price increase execution, we've got this very strong strategic focus on profitability which leads to some intentional churn. I just need everyone to understand how that works out. We said from the get-go we'll be very diligent when it comes to deploying new capital. When there's a contract that is coming up for expiry in our portfolio, we just take a very strict view on that. If the contract doesn't yield the profitability because we can't differentiate enough through value and requires a lot of capital, it's just something that we don't continue; and where we decide to pass and rather invest into the segments and sectors that I mentioned earlier. And that is something that we will continue to do. That is the approach we've taken. That is the approach that has gotten us to the levels of profitability where we are today in a very challenging environment. And we've been able to do that, and we'll continue on that path and drive that further.

I think that's it pretty much for the year-to-date summary. I look forward to some questions later. And Nicole, I want to hand it over to you for some more details on the quarter.

Financial Details

Nicole Charrière

Chief Financial Officer, Selecta Group

Thank you, Christian. We go to page 9. And first of all, a warm welcome from my side to our Q3 2023 results conference call.

STRONG REPORTED EBITDA GROWTH QUARTER

Reported EBITDA

Q3 2023 is a quarter in which we predominantly focused on our profitability, and we are very proud to report a strong reported EBITDA growth of 34.8% versus last year, and record margin of 18.5% with also strong expansion of 5pp versus last year, resulting in 54.3 million euros. As transformation actions are normalising, reported EBITDA improvement proved success of our transformation actions.

Adjusted EBITDA

The underpinning of this success is the continuous improvement of adjusted EBITDA, which in the quarter increased 11% to 62.6 million euros, and margin expanded 2.4pp, to 21.4%.

Both reported and adjusted EBITDA are not only strongly expanding versus last year but also quarter on quarter.

Gross margin is slightly higher versus last year, which is driven by our successful sales price increase strategy, but also driven by procurement actions taken.

A significant catalyst of profitability expansion has been our discipline and strict approach to asset utilisation, meaning we have been reviewing contracts and machine performance. And as a result, cleaning up our portfolio when profitability thresholds have not been met. We believe it's key for our journey to set the solid base for the future, and we keep this approach in our DNA. As a consequence of this, sales are slightly lower than last year. But we show, again, a very strong SMD growth, which is an essential KPI to measure our progress.

Liquidity headroom

On the liquidity headroom side, liquidity remained at the robust level of 125.9 million euros, after the step-up of our interest note payments we had to do in July, and the significant right-sizing one-off paid while we continue to focus on the maximization of our free cash flow conversion.

CONTINUED SMD GROWTH & NEW RECORD HIGH IN PUBLIC

We go to page 10, and we have a look at our SMD growth per segment. On SMD, we continue to grow quarter on quarter, and Q3 is predominantly driven by the strong performance of the public segment.

Group SMD of 12.3 euro increased 13.8%, supported by the positive contribution of public and Foodtech growth, as we reduced 7,000 machines consistent with our asset utilisation approach towards a profitable park.

The cleanup actions we have taken have mainly impacted Private, resulting in an SMD of 12 euros, up 12% versus last year; and Semi-public resulting in SMD of 8.1 euros, up 15.8% versus last year. Public SMD of 30.5 euros increased 2.5%, which is a new record tie that is driven by profitable strong growth of the segment and the traveling of the summer season mainly in Spain, UK, and France. The Public segment has been much less impacted by our profitability initiative than other segments. So, it's SMD trajectory is a great example of accretive business growth on a healthy base.

SLOWER SALES GROWTH WHILST CONTINUED PROFITABILITY FOCUS

On page 11 we have a look at the concrete net sales development. As we already mentioned, as a consequence of our profitability focus, our net sales growth versus last year's slowed down to minus 1.5% at actual rates, and 0.9% at constant currency. Overall, the greatest FX headwinds continue to hit our Nordic countries.

Italy, Switzerland

Let me briefly talk you through the key development of these quarters. On the right side of the graph, you see Italy, where net sales continued to be impacted by our transformation actions; and Switzerland, where we saw less domestic travel during the summer season than in the past and focused heavily on profitability initiatives.

Germany, UK, Spain

On the positive contribution to growth year-on-year, we have Germany, our key growth market, where we saw a continued strong development which is supported by strong Foodtech expansion; and UK and Spain, as said earlier, where both saw positive sales performance and SMD growth in public and semi-public segments in the summer season.

STRONG PERFORMANCE IN SOUTH, UK & IRELAND, PROFITABILITY EXPANSION IN ALL REGIONS

On the regional basis, on page 12, we see a very strong adjusted EBITDA development in all of the regions. Central leading with an EBITDA margin of 26.9%, up 1.6pp expansion from an already substantial profitability range. And South and North regions both surpassed the 20% margin EBITDA with remarkable margin development, which demonstrates the broad-based profitability expansion we have driven in the last months and years.

STRONG PROFITABILITY AND MARGIN EXPANSION

On page 15 we have the holistic view on our P&L. Again, we would like to highlight the very strong profitability performance of the quarter, which starts with the gross margin reaching 60%, 0.7pp higher than prior quarter. And 0.3pp better than last year.

As we were able to pass through cost inflation substantially by implementing our pricing initiatives, and also have worked on procurement actions. Our productivity initiatives have led to continue to improve our personal expense ratio which reached 27.4%, 1.4pp better than last year. Also, the other overhead ratio continues to improve, reaching 14% up 0.2pp versus last year. Our one-off adjustments in the period, which as a reminder relates to investment on business transformation, decreased by almost 50% to 9.5 million euros. As a result of transformation actions ongoing and our continued profitability focus, we are again very proud to report that strong reported EBITDA growth of almost 35%.

AS TRANSFORMATION ACTIONS NORMALIZE WORKING CAPITAL WILL IMPROVE

On the net working capital side, it's important to consider that we are still undergoing or have undergone transformation actions which impact the change in that net working capital, mainly on the accounts payable and provisions side. So, normalising those actions will also help on the working capital side.

Inventory and accounts receivable developed in line with sales development and inflation, with actions in place to mitigate through reduction.

WELL-BALANCED OWNERSHIP MODEL WITH PEAK CLIENT LEASE QUARTER

Then on page 17 we talk about the CapEx, and you may notice that we have changed slightly the format to take you through a more holistic understanding of our asset funding, which is an important element of our business model. Asset funding in the quarter has been EUR 33.7 million, which we fund through three main alternatives. Let me remind you which they are.

Net cash capex

First of all, we have cash CapEx, which is the traditional funding option, but this we only deploy selectively through a well-controlled process applying profitability hurdles. In the end, particularly our Foodtech solutions do not rely on cash for profitable growth for the company.

Finance leases

Then we have finance leases available, which is a complement to our asset funding strategy.

Client leases

And then the main pillar of our funding strategy is the so-called client leases. We introduced this alternative a couple of years ago, and it stands today as our preferred asset funding option which is key to shift the business towards a more asset-light model and uncap profitable growth. Client leases have no cash impact for Selecta, as is the client who pays the lease to a lessor, and the servicing contract with us is set up accordingly.

If we want to have a look on the relevance of each of these funding alternatives, then we can see that our net cash CapEx represented 5.7% of sales increased versus last year mainly due to phasing, so staying in the range we have indicated in the past. The nine-month net sales ratio would be 4.4%. And the client leases represented 4.8% of sales increased versus last year given the focus on that funding alternative.

ROBUST LIQUIDITY AND CONTINUED DELEVERAGING

Then on page 16 you can see that of course the focus on profitability has also led to an improvement of our leverage ratio. The reported EBITDA leverage ratio continues to come down from 8.4 times in December 2022, to 7.0 times as per September 2023.

Group available liquidity of 125.9m

So, the liquidity headroom remains very robust at 126 million, as already said, and consists of 31 million cash at bank and 95 million available RCF.

Cash at Bank of EUR 31.0m

Cash and cash equivalent of 37.1 million euros composed of 31 million cash at bank and 3.1 million cash in points of sale.

Available RCF of EUR 94.9m

The total committed RCF continues to remain at 150 million, where of 55 million were drawn and 0.1 million used for bank guarantees.

LIQUIDITY AFTER STEP UP OF NOTES CASH INTEREST PAYMENT AND HIGHER RIGHTSIZING CASH OUTS

If we have a look on page 17, on the liquidity development of the quarter, where we started at the liquidity balance of around 150 million, you then see the free cash flow delivery of 17.7 million. And what is important to note here, that this continues to be impacted by one-off payments. So one-off we have incurred either in the period or before in the P&L and had to pay in the quarter. That amount was 12.5 million. If we compare that versus the same amount last year, this is up almost 9 million. And then as already explained on the CapEx slide, we had due to phasing also higher cash CapEx, also around 6 million higher than we had the same quarter last year. If we take both into consideration, our cash conversion would have been at 52%, which would be 5pp higher than it was the same quarter last year.

And in this context, I also would like to highlight that as our transformation actions normalise, our cash conversion will improve as well.

With that, I hand over to Christian.

CONCLUSION

Christian Schmitz

Chief Executive Officer, Selecta

All right, thank you Nicole. It was very granular; I appreciate it here. Our conclusion, look, I think pretty much in line what I said in the beginning.

A key focus, I mentioned it a couple of times, Nicole mentioned it several times in her presentation. We remain focus on profitable growth is really critical for us and saying right foundation. From a cash perspective, we understand we grow our cash conversions is business. It's important we got the structure right; we got the reported EBITDA right. And then once we have that in place, at some point we churn through anything that is one-off related from the past, and we'll be in good territory here.

We're improving quality of the business. SMD continues to grow. It's very important for us that we've got a highly productive portfolio of assets in the long run going forward. And that then drives profitability, quality of earnings.

The margin expansion is critical. We continue to stay on pricing, and we'll continue to do the same thing for next year. Obviously, we're looking for is an environment where the cost will slowly come down and we continue to drive pricing given our differentiated portfolio and the value that we bring to our clients in those kind of relationships that we really invest in and double down on.

And then look, it's a tough environment out there that we've been working through the last nine months here. When you look at everything that happens in the world, it happens in Europe, some of the economies, and we think we got a pretty resilient business here with strong earnings growth in a very difficult environment.

And when we look at that and we look at our transformation actions, how they're paying off, the structure of the P&L today versus what it was in the past, we are confident that we achieve our strategic plan in 2023 and beyond. You've heard that from us before, and we continue to send that message.

We thank everyone for listening in, and I guess we go to questions.

Q&A

Operator: Thank you. Our first question comes from the line of Michael Lipsky with Mariner. Michael, please go ahead, your line is open.

Michael Lipsky (Mariner): Hi. Congratulations on the quarter. My first question, I have two questions. The first one is, look, the business is clearly inflected. And where are you with the rating agencies? Do you think that you could be upgraded, at least on your 1st Lien?

Nicole Charrière: We are in contact with rating agencies. There will come a point in time where this will be a discussion when precisely this is going to be we will see.

Michael Lipsky: Okay. And then my second question is, I'm not going to ask you to opine on what the sponsor might do, but, Christian, you're in charge of decisions like asset sales and investments. The class A preference shares still trade at a substantial discount. And as you know, there's several reserved matters that require the majority vote of the preference shares like asset sales and investments. Does it make sense for you to try to take them out at a discount or to tender for them?

Christian Schmitz: Look, we're really focused on driving the operational performance of the business here. That is what our focus is. That's what we talked about. I appreciate that this is a focus here. And again, that's really what we're looking after.

Michael Lipsky: Okay, that's all my questions. Thank you.

Christian Schmitz: Thank you.

Operator: Our next question comes from Yuka Toyoshima with Nomura. Please go ahead, Yuka, your line is open.

Yuka Toyoshima (Nomura): Hi, thank you for taking my question. You mentioned pricing; could you give some more colour on pricing going forward?

Christian Schmitz: Well, I think the colour we can give is what we've implemented so far on pricing, and we mentioned that it's around 7% that we've driven for the first nine months. What we're looking for, for 2024, is that we drive pricing at least to the amount the cost increase. Ideally you want to go past that and drive that forward. What we now have is I think we've got a pretty well-oiled machine when it comes to implementing those. And if you remember two years back when the inflation started kicking in, it's always a little bit backlog effect in our business where in a number of our contracts we have to look at the inflation from the previous year and adjust accordingly through indices in the contracts.

What we of course look forward to is a time where inflation comes down. And I think we are optimistic that we're in a better position for next year versus this year, and certainly the year before. And then we should have a little bit of catch-up effect. I can't quantify the extent to you, but that's something that we look forward to seeing when we have some adjustments that are still off of higher inflation this year, while we expect a little less next year, but that's how we're going to continue to drive it.

Yuka Toyoshima: Okay, thank you. And then as you’re focusing on profitability now, do you expect revenue will keep declining going forward? And from adjusted EBITDA margin perspective, I think now it's higher than historical level, but do you expect further improvement of margins?

Christian Schmitz: As you know I cannot give you a lot of insight into where we're trading right now and where we're heading. I think there's a couple of things I would like to say here. First of all, we like to see positive growth every quarter in the business. It is not that we're sitting here and saying, oh, this is what we envision the long-term future to be. What we are really looking at is we break the net down into the gross and what goes out at the bottom. And there's substantial wins that we've generated this year in this business. At the same time, when it comes to losses that we have, we do a lot of work in going back and understanding what it is. And there's always some losses that you don't want to have. There's business you like to keep, but you don't keep it for a number of different reasons. And then there's business where we say, look, we certainly want to terminate it because it's business that's not accretive, or business where we say, look, if we can improve the profitability to a certain level, we'd like to keep it, but if we have to put capital in, we will not do that at any cost and we'd rather direct capital to countries and segments and situations where we think we get a better return for it. That's what you see reflected here. You should expect that when you take a longer-term view, we expect this number obviously to turn and to deliver and to go back to territory where we're positive growth.

However, we also should stick to the plan in this moment where we say, look, the cleanup that we do and the higher rigour that we put in, we think it's required also as a baseline for future improved cash conversion of this business. We will continue to stick with that and drive that. And we will probably provide a little more insight into that in our full year earnings on that subject around of growth, how it breaks down and how we're thinking about the business we won and the business that we've intentionally terminated. So, we have got that on our list to shed a little more light on that for the full year earnings that we are going to publish.

Yuka Toyoshima: Thank you, that's helpful. Lastly for me, I'm sorry for the technical question, but you guys increased interest payment for the first lien unsecured notes from this January, right?

Christian Schmitz: That's correct.

Yuka Toyoshima: Yeah. I'm wondering why on your cash flow statement, cash paid for interest in the first quarter didn't increase much from the first quarter 2022. Could you guide a little bit?

Nicole Charrière: Yes. From in current P&L perspective, the period started on January 1st but the first payment, higher payment actually then happens with the delay of six months. This is why this is not congruent.

Yuka Toyoshima: Okay. So that means it's on the cash flow statement from this quarter, I guess?

Nicole Charrière: We see the 31 million payment we see on the 2nd of July. There is where we see the 31 million of cash outflow, which has a delay from a cash flow perspective of six months.

Yuka Toyoshima: Okay. Okay. Understood. Thank you.

Christian Schmitz: All right.

Operator: Our next question comes from Toby Hanson with Boundary Creek. Please go ahead, your line is open.

Toby Hanson (Boundary Creek): Hi, the first question is just on the cash out. You had 11.3 million in Q1, 11.8 in Q2, and now 12.5 million in this quarter. But if I look at the number of machines that you're taking out each quarter, it's gone from 13,000 in the first quarter to 10,000 last quarter, and now 7,000 this quarter. Clearly the P&L is going the right way, but the biggest focus for investors is your ability to generate cash. And these exceptionals, along with the working capital outflow and material drain on it. I know you're not going to give me a number of machines, which is the floor, but can you give us any guidance on when we should expect these cash exception items to come down?

Nicole Charrière: First of all, I think we have now started to prove that on the P&L perspective, one-offs are substantially less. So, at some point in time this will translate into less one-off payments in our cash flow statement. If I remind you where we are with the down payment of the one offs incurred, then we communicated the end of Q2 that we had 17 million remaining to be paid. We have now paid 12.5 million with additional one-off incurred in the P&L of 9.5. This brought us to 14 million, which remains to be cashed out as the one-offs in the P&L go down and we continue to pay those off, and there will be substantial increase in the cash conversion.

Toby Hanson: Okay. And then on the working capital, just taking your numbers in the presentation, it's 44.3 million of outflows year-to-date. I understand that you run generally a negative working capital position, so as you reduce the size of the business on machines, you should see a bit of a working capital outflow, but that is a large number relative to the profitability of the business. I know again you're not going to give us a guide, but can you give any sense of when this might stop and reverse essentially?

Nicole Charrière: Absolutely. I think also here we need to take into the consideration the one-offs we had paid out, which are also flowing through working capital. And as I just explained some minutes before... Yes?

Toby Hanson: Sorry, Nicole. Just to interrupt, but I'm literally taking your working capital outflow numbers on the liquidity slides, which is separate from the one-offs. So, the 15.9 million this quarter, I think 2.9 in the prior quarter and 25.5… So as you're presenting it, this is completely different to the one-offs?

Nicole Charrière: Yeah, what you see there, as we have also indicated earlier, we still do have COVID-related deferred payments which we have to repay over time. This is an element. Then as you already mentioned, as you have a structural negative working capital, we have an element of adjusting the size of the Italian business, as we also have seen on our net sales page. This also leads to a reduction, which is reflected in the bridge. And then we have some seasonality and phasing inputs which also flow there.

Toby Hanson: That's very helpful, thank you. I was just going to ask, can you give us a sense of what Q4 might look like, or can you give a general sense for the full year in between certainly Q4…

Christian Schmitz: You have to wait. You'll have to wait and stay excited until we deliver our full year results, unfortunately. Thank you.

Toby Hanson: Thank you.

Operator: Our next question comes from Wolfgang Felix with Sarria. Please go ahead, your line is now open.

Wolfgang Felix (Sarria): Thank you. I just have some very simple questions remaining, relating to your public business. Can you give me a sense again for how many of those machines are positioned in France?

Christian Schmitz: I don't know that exact number available for you, I come back to you on that one for that. I don't have that. You got a total number. You got the total breakdown that we've given you on page 10, 253K machines, broken down on a private, semi-public, and public. We don't publish any breakdown on that by country basis, but if you're particularly interested in that, I'll see what I can do for you.

Wolfgang Felix: That'd be fantastic. Yes, I really would be. And I was wondering if there's any geographic concentration as to where you're adding the public machines that I'm seeing here. It's the only machine part you're growing, and I was wondering if you're growing it in France or perhaps elsewhere.

Christian Schmitz: It's part of it. Actually, we've added machines in France to that. The big public estates that we have is obviously Switzerland, the rail and the airport. Then France obviously with the SNCF rail business, and in pretty much all major airports that we do. And then the growth piece that is very interesting for us in France is everything that's related to all the motorways where we've had substantial wins. I think we announced one of those when we talked about, I think three quarters ago around VINCI, which is large operator in France that is out there. And then you got airport and rail estate in Germany, you get some public business in the UK, and then you basically got Madrid airport. Those are the big estates that we currently have.

And then obviously we're tendering for business where it makes sense, and we are more excited about the airport business and the national rail business because we think we can bring more value there with our solutions. We are more selective when it comes to underground and those public estates because typically, they're more price-driven, and you've got more vandalism and it's more like the standard solutions that you can do there. But maybe that gives you a little bit of insight into that business.

Wolfgang Felix: Yes, thank you very much. If you had some more information on size and direction of that French estate in particular, I'd be a very happy recipient. Thank you. Otherwise, congratulations on what's otherwise a good quarter. Thank you.

Christian Schmitz: Thank you. We appreciate it.

Operator: We have no further questions, so I'll turn the call back to the management team for closing comments.

Christian Schmitz: All right. Just again, one more time, thank you. Thank you for your support, we appreciate it. Thank you for dialling in today. We are fully focused on finishing out the year strong and then look forward to a longer session beginning of the year when we publish our full year results. And look forward to that. Wish everyone a good time, and we'll see you soon. Thank you.

Angela Cinelli: Thank you.

[END OF TRANSCRIPT]