Transcript for "Outokumpu Q3 / 2024"

00:00:00 - 00:00:39
Linda Hakkila: Hello all, and welcome to the Outokumpu Q3 2024 results webcast. My name is Linda Hakkila. I'm the head of Investor relations here at Outokumpu. Today as our main speakers, we have our new CEO Kati ter Horst, and our CFO, Marc-Simon Schaar. As usual, we will first start with our presentations, and after that, we will be happy to take your questions. Before we start with the presentation, I would like to remind you about the disclaimer as we might be making forward-looking statements, but now, without any further comments, I would like to hand it over to our CEO.

00:00:40 - 00:01:24
Kati ter Horst: Thank you very much, Linda, and good afternoon to everyone. I am Kati ter Horst and I started at Outokumpu as president and CEO on the 1st of October. I'm honored to have this opportunity to lead Outokumpu to its next strategy phase. Having been part of Outokumpu sport for eight years has given me valuable insights from the port perspective. Then prior to joining the Outokumpu, I served as the divisional CEO for EMEA at the Belgian family-owned company Aliaxis. Aliaxis is the global leader in advanced fluid management solutions, which enable access to water and energy.

00:01:24 - 00:02:14
Kati ter Horst: Then most of my career, I have spent and worked in different countries for Stora Enso, which is a leading provider of renewable materials. My latest position at Stora Enso was as executive vice president of the paper division. Then turning to Outokumpu, one of my first priorities is to ensure a smooth CEO transition and to build the future strategy of the company together with the leadership team. While doing this, we will ensure the delivery of our set targets in the strategy's Phase 2 by the end of 2025. I'm very proud of the fact that Outokumpu is the undisputed leader in sustainability in stainless steel.

00:02:15 - 00:03:05
Kati ter Horst: This is the position we definitely aim to keep. Last but not least, our focus will be on delivering total shareholder value. Let's now then move to discuss Outokumpu's performance during the third quarter. We reported a solid adjusted EBITDA and this was driven by good results, especially in business areas of Europe and Ferrochrome. Then taking a little bit closer look at the result, our adjusted EBITDA increased to €86 million from €56 million in Q2. I will come back a bit later in more detail on the drivers behind this improvement. Then on the group level, our stainless steel deliveries with two percent lower than in Q2.

00:03:05 - 00:03:52
Kati ter Horst: Basically stable and in line with our guidance. Our business area, America's result reflects the deteriorating market conditions in North America. On the other hand, business area Europe's profitability clearly improved, supported by good margin management. I was also very happy to see that the business area Ferrochrome delivered a solid operational performance. Further, I can say that we are very well on track to deliver on our EBITDA improvement program. We are also making firm progress towards our 2030 SBTi target on carbon dioxide reductions. Then why don't we continue discussing the market situation a little bit?

00:03:53 - 00:04:44
Kati ter Horst: The graph on the left side shows the stainless steel transaction price development reported by CRU. We can see that stainless steel market prices have been under pressure during the quarter, especially in the US. This is very much the result of a very low market demand coupled with increasing imports from Asia. In Europe, the share of gold travel stainless steel imports rose to 27 percent in Q3, while the share of imports in the US was 28 percent, and in North America, including Mexico, even 37 percent. Then, on the right side of the graph, nickel prices has decreased during Q3, which is a reflection of the current weak global economic situation resulting in oversupply of nickel.

00:04:45 - 00:05:37
Kati ter Horst: However, we observe a nickel price resistance level somewhere between $15, and 16,000 US per tonne before any adjustment or bigger changes in the supply chain. Let's now then come back a bit more detail on the Q3 adjusted EBITDA development. As already stated earlier, the €30 million profitability improvement versus Q2 was very much thanks to the good performance in business areas, Europe and Ferrochrome. Compared to Q2, our stainless steel deliveries were stable in the business area Europe, while they decreased by eight percent in the business area Americas. Our overall deliveries were at a historically low level due to the weak market environment, even lower than in the COVID year of 2020.

00:05:38 - 00:06:26
Kati ter Horst: At the same time, we have been able to maintain our market shares with a leading position in Europe and being clearly the strong number two in North America. The political strike in Finland earlier this year did not impact our result in Q3. Therefore, the production volumes both in the Business Area Europe and Ferrochrome clearly increased during the quarter. Also during the quarter, our realized prices for stainless steel remained stable both in Europe and the Americas, but the production mix in Europe was slightly weaker. Then good margin management, including positive raw material impacts in the business area Europe as well as good operational performance in the business area Ferrochrome really contributed to the quarter's profitability.

00:06:26 - 00:07:23
Kati ter Horst: Business Americas suffered from lower volumes and a clear margin squeeze. Then net of timing and hedging gains for the third quarter were €10 million, compared to losses of €8 million in the second quarter. Moving then to sustainability. I'm very honored to say that Outokumpu is the undisputed sustainability leader in stainless steel. I'm especially happy with the good progress towards our emission reduction target, and that our recycled material content has remained at 95 percent, which is the highest in the industry. We are also on track to make our chrome mine in Finland carbon-neutral by 2025. In addition, our safety performance is at a world-class level and we work very hard every day to make sure that everybody gets home safe.

00:07:25 - 00:07:58
Kati ter Horst: In September, Outokumpu also attended the United Nations General Assembly in New York, and we partnered with Climate Week to advocate the role of stainless steel in green transition. We were pleased about the attention we got for our shipments and the white paper that we launched during that week. Marc-Simon will now continue in more detail to discuss our financial position and the key developments in our three business areas. Please, go ahead Marc-Simon.

00:07:58 - 00:08:51
Marc-Simon: Thank you, Kati. Good morning, good afternoon, dear ladies and gentlemen. Also, welcome from my side to our Q3 webcast. Given the challenging market environment, our cash and liquidity position remained healthy in line with our financial target of net debt to EBITDA below one time during normal market conditions. The increase in net debt during the third quarter is driven by a temporary increase in working capital. I will come back to more details on the development at the end of my presentation. Our planned CapEx for this year is expected to be somewhat lower at 210 million, compared to the earlier communicated level of €220 million.

00:08:53 - 00:09:46
Marc-Simon: For Strategy Phase 2, we remain committed to our CapEx frame of a maximum of €600 million. Of course, we continue to take future market developments into account when managing prudently our capital expenditures. Overall, total shareholder returns remain a high priority. Now, looking at our Phase 2 EBITDA run rate savings, we continued to make good progress during the third quarter, in which we increased our run rate improvements by €24 million, predominantly in business area Europe. Year to date, approximately half of the impact comes from cost savings and half from commercial initiatives.

00:09:47 - 00:10:49
Marc-Simon: The main contributors were improved raw material efficiency, the geographical expansion of our advanced materials business to the Asia-Pacific region, and the optimization of our product mix. With the cumulative gross annualized EBITDA run rate improvement of 265 million by the end of Q3, we are very well on track to achieve our overall target of €350 million by the end of 2025. Now, let's have a look at the performance of our business areas starting with business area Europe. Given the challenging market conditions and typical seasonality, the financial performance of the business area was very solid, with a significant improvement in profitability after the recovery from the political strike earlier this year.

00:10:50 - 00:11:39
Marc-Simon: Despite seasonally lower demand in Q3, our deliveries remained flat quarter on quarter. Stable prices and a somewhat weaker mix were offset by improved raw material cost performance, while the scrap market remained tight. For most of the quarter, we were able to offset the negative impact by our continued efficient raw material procurement initiatives. During Q3, the business area was benefiting from hedging gains related to the decrease in nickel price quarter on quarter. These positive impacts were partly offset by higher fixed costs due to the annual plant maintenance shutdown in Avista in Sweden.

00:11:41 - 00:12:49

Marc-Simon: Overall, the market environment started to deteriorate during the third quarter. According to third-party data, industrial production is shrinking and the purchasing managers index continues to be below 50, indicating a market contraction. As such, order intake started slow after the end of the summer holiday period. Supported by low supply availability in Europe during the first half of this year, as well as a very weak demand situation in China, imports into Europe continued to increase. Distributor levels also slightly increased against a weak and historically low demand situation. From an industry perspective, the demand from appliances, construction, pulp and paper, heavy industries, and automotive remained subdued, whereas a positive trend in the marine, aerospace, defense, and energy sectors could be observed.

00:12:51 - 00:13:55
Marc-Simon: Let's now move over to Business Area Americas, where the market continued softening. While the overall US economy seems to be resilient and supported by the services industry, the manufacturing sector relevant to our stainless steel demand has weakened notably. On top, cold rolled stainless steel imports into the US market increased to the highest level in the last four years, while at the same time, we were able to keep our market share stable. Nonetheless, continued focus on trade policy, especially on circumvention is needed going forward. Out of the 13 kilotons reduction in volumes from quarter two to quarter three, four kilotons relate to the flooding in our mill in Mexico, which resulted in the postponement of customer deliveries into Q4.

00:14:01 - 00:14:54
Marc-Simon: The challenging market situation, driven by lower demand and increased import penetration together with higher raw material costs, had a negative impact on our margins. From a segment perspective, only oil and gas are performing somewhat better or else being weak. Looking at distributor inventory levels in the US, they remained below historical averages and no restocking has taken place yet. One of the reasons could be the restraint and wait-and-see attitude regarding the outcome of the presidential elections in the US. Overall, a market recovery might depend on the completion of the US election in early November and for sure on further interest rate cuts, as well as an improved economic situation in China.

00:14:59 - 00:15:52
Marc-Simon: Now, looking at our Ferrochrome business, the business area delivered again a very solid result. While the overall Ferrochrome market is weak with significant overcapacity in China, the demand for our low-emission Ferrochrome of European origin remained resilient. The main drivers for the profitability improvement quarter on quarter are improved fixed cost absorption after the recovery from the political strike, and be lower variable costs supported by lower electricity prices, and improved mine efficiency. From an operational perspective, and in line with our earlier communication, we ramped up our temporarily closed third furnace during October.

00:15:53 - 00:16:41
Marc-Simon: Not necessarily to produce more volumes, but to take advantage of optimizing our electricity usage given the price volatility in the market. Now, my final comments relate to our cash flow development in the third quarter. As you can see from the graph on the left, our cash flow and hence the increase in our net debt during the third quarter is driven by a temporary increase in working capital, which was driven by the recovery from the political strike, as well as the preparation for the annual planned maintenance shutdown in our Tornio operations during the fourth quarter.

00:16:43 - 00:17:03
Marc-Simon: Given the weak market environment and our aim to maintain a healthy balance sheet. We will focus on reducing working capital during the fourth quarter to improve our net debt level accordingly. With this financial update, I would like to thank you for your attention and hand over back to you, Kati.

00:17:04 - 00:17:53
Kati ter Horst: Thank you, Marc-Simon. Let's continue then. Before we go to the guidance, I would very much like to highlight that we now have a strong foundation to create value over the cycle. Then about the outlook. Our outlook for Q4 2025 is that the Group Stainless Steel delivers in the fourth quarter are expected to decrease from zero to 10 percent compared to the third quarter, driven by deteriorating markets for both business areas Europe and the Americas. The planned maintenance break in Tornio Finland is expected to have approximately €10 million negative impact on business area Europe's adjusted EBITDA.

00:17:53 - 00:18:48
Kati ter Horst: Energy costs for Business Area Europe are expected to increase by approximately €5 million. Then with the current raw material prices, some raw material-related inventory and metal derivatives losses are

forecasted to be realized in the fourth quarter. Then the guidance for the Q4. Adjusted EBITDA in the fourth quarter of 2024 is expected to be lower compared to the third quarter. Let me now then recap some of the highlights of the third quarter as some of the short and long-term priorities we are having. I'm currently ensuring a smooth CEO transition, and having had the possibility to discuss with Heikki and the leadership team up front has really been valuable to me.

00:18:49 - 00:19:43
Kati ter Horst: We delivered a solid result in Q3 in difficult market conditions. As Marc-Simon showed, we are on track to deliver the 350 million EBITDA run rate improvement by the end of 2025. I'm pleased that we have started these actions early and we are now more resilient to face the market headwinds. During times like this, I think our full focus has to be on cash flow generation in order to be able to continue to invest in our future, preserve our healthy balance sheet, and create total shareholder value. I believe that our sustainable leadership and strong balance sheet provide a very good foundation for us to build on our future success in the next strategy phase.

00:19:45 - 00:20:40
Kati ter Horst: Then I would like to in the end add a bit more personal flavor, to shortly comment on some of the key building blocks I see important for us going forward. First of all, in this kind of business, our type of business, good operational performance, and cost competence is a key. I am very committed to building a strong safety culture and I expect the same from leaders and managers at different levels. In production, I promote lean principles, delivering good product quality at every step and being a reliable supplier to our customers. Throughout my career, I have been in tough market environments and learned the power of a continuous improvement mentality.

00:20:41 - 00:21:32
Kati ter Horst: Then because of my commercial background, I have worked a lot with commercial excellence and I believe that in today's marketplace, one has to understand the evolving needs of customers even more profoundly. Let's not forget that Outokumpu is the pioneer in stainless steel. It's time we use again our technical expertise and innovation capability to explore new growth opportunities for the future. Together with our customers, our suppliers, and our important stakeholders, we can make a greater impact on a world that lasts forever. I thank you all for listening to our presentation today. Let's now open for the Q&A session. Operator, we are ready to start.

00:21:35 - 00:22:05
Operator: If you wish to ask a question, please dial Pound Key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial Pound Key six on your telephone keypad. [Silence 00:21:47-00:21:57]. The next question comes from Tristan Gresser from BNP Paribas Exane. Please go ahead.

00:22:07 - 00:22:50
Tristan Gresser: Thank you for the presentation and the questions, I have two. I will start with the US. Could you quantify the flooding impact in Mexico on a € million basis, and could you give us an update on the situation there if it has improved any cost impact in Q4 as well? Everything has been solved. Just excluding maybe this one off the level you're having in the US in terms of margins, is that a margin level you feel comfortable defending into Q4 despite lower volumes?

00:22:54 - 00:23:47
Marc-Simon: Tristan, thank you very much. On the US flooding, maybe to start with how we have done operationally, I think the team in Mexico did a fantastic job and the mill was up and running back again after two weeks. When it comes to the impact in Q3, we had no significant impact here with some marginal costs in the third quarter. However, at the same time, we had to, as I mentioned in my part of the presentation also postpone some of the customer deliveries of four kilotons from Q3 to Q4. At the same time, of course, in the fourth quarter, we also face some costs in relation to the flooding.

00:23:47 - 00:24:01
Marc-Simon: Overall, the impact when I take the postponement of the deliveries and the costs which have been incurred into consideration, it's not a significant impact on our Q4 result.

00:24:04 - 00:24:08
Tristan Gresser: Sorry, that's helpful, but on Q3, how much is that?

00:24:09 - 00:24:13
Marc-Simon: Very immaterial. Below € one million.

00:24:14 - 00:25:00
Tristan Gresser: If the impact was negligible, it's just market-driven. That's for sure EBITDA to 5 million. The US stainless prices are still above Europe. You see, I have a premium. I'm just wondering what has been driving the underperformance. It looks like you're doing better margin in Europe than in the US on an underlying basis. Why is that? If you can touch a little bit on the market environment, you talked about the US election uncertainty, how much of a driver you think that is, and how optimistic you are that once we get past the election, you'll get some type of recovery.

00:25:00 - 00:25:48
Marc-Simon: Coming back to your margin question. If I look a bit back into the history and compare price levels last year to price levels this year, then we certainly have seen during the time a decrease in the price level. At the same time, I also mentioned that we have been facing, vis-a-vis the sales price particularly the drop on the nickel side relatively speaking, higher raw material costs, which then in the end led to a margin squeeze over here. That is all I can say at the moment explaining the margin and then also vis-a-vis Europe. On the election side, do you want to take?

00:25:48 - 00:26:32
Kati ter Horst: Yes, maybe a couple of words. First of all, I think what we see a bit in the US market is that there is a bit of this wait-and-see environment currently, which means that actually our customers or let's say the distribution has not really started buying and the delivery times are quite short. That stalking still needs to happen. The hope is a bit that when the election is over, who then wins? That maybe doesn't matter so much to our industry. That's our analysis, but it's more about how we get going again and then hopefully there is also some good news on the interest rate side, which might give a bit of a boost to the economy.

00:26:34 - 00:26:52
Tristan Gresser: That's very clear. Maybe one last quick follow-up. If there is a change of ownership at Calvert, we've seen reports that [inaudible 00:26:43-00:26:44] may sell its stake. Does it have any implications for your supply agreement or is this nothing really there?

00:26:52 - 00:27:09
Kati ter Horst: No, it does not have an impact on the long-term agreement we have. I think it's also fair to mention that our business partner with the daily or weekly discussions has really been ArcelorMittal. That would stay the same. I don't see any impact on that.

00:27:10 - 00:27:12
Tristan Gresser: Perfect. Thank you very much.

00:27:18 - 00:27:24
Operator: The next question comes from Ancy Rousey from ACB. Please go ahead.

00:27:29 - 00:28:01
Ancy Rousey: Hi all there and thank you for the presentation. I have a couple of questions and I start with the cash flow. How much could you reduce working capital in Q4, and how should we think about H1, next year's seasonality because the dynamics were a bit changed this year. Also, your CapEx was around €130 million year to date, I guess this means that Q4 CapEx will be close to €80 million.

00:28:05 - 00:29:02
Marc-Simon: Hi, Ancy. On the cash flow side, we're not forecasting the cash flow for the next quarter, I think I mentioned that we are aiming and looking into net working capital reductions over here. As such also to reduce our net debt level accordingly. Given the current market environment price levels we see and the business situation, I would expect a mixed double-digit number in terms of working capital reduction. You talked about then quarter one and certainly also here, we're not giving yet a guidance on our Q1, but typically quarter one is seasonally somewhat stronger than the fourth quarter.

00:29:02 - 00:29:26
Marc-Simon: However, at the very same time, I would like to remind you that we're still working in a weak

market environment. Also to take that into consideration when thinking into Q1 of next year. Then on CapEx, yes, you are absolutely right. It is close to 80 million, which is currently being forecasted.

00:29:28 - 00:29:49
Ancy Rousey: Thanks. That's clear. Then about Ferrochrome. Your Ferrochrome production was above deliveries in Q3, so do you think that you will continue to build up Ferrochrome inventories in Q4, and is it that we should expect stable production on Q4 basis?

00:29:51 - 00:30:26
Kati ter Horst: On Ferrochrome, we obviously increased production quite a lot in Q3 coming from the political strike-impacted situation in Finland. We now have, of course, the opportunity to even produce more if need to, but as Marc-Simon said earlier in the presentation, the main reason that we ramped up the third furnace was to be able to optimize energy cost. Currently, we think that our production levels will be about the same as in Q3, but should we have more demand, we can produce more.

00:30:28 - 00:30:32
Marc-Simon: We're not expecting to build up extra working capital here on the Ferrochrome side.

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Kati ter Horst: No indeed. Good addition.

00:30:37 - 00:30:47
Ancy Rousey: Got it. Lastly, about your lead times in stainless steel. Are we looking at two months or how's it in Europe and America?

00:30:47 - 00:31:17
Marc-Simon: Reflecting on the market environment that we described, Ancy, I think what we can say at the moment is that we are booking Q4 more towards the end of Q4. Basically here, what we have seen is, after the summer holiday period season that the order intake has only slowly recovered. This is as much as we can say at the moment.

00:31:20 - 00:31:22
Ancy Rousey: Thank you so much. That's all for me.

00:31:23 - 00:31:23
Marc-Simon: Thank you.

00:31:30 - 00:31:37
Operator: The next question comes from Bastian Synagowitz from Deutsche Bank. Please go ahead.

00:31:39 - 00:32:13
Bastian Synagowitz: Hi. Good afternoon all. I've got a couple of questions as well. Now, I'm going to start with Europe. I think your performance here was pretty good, particularly also even when we couldn't consider that. Even when maxing out the metal and hedging effect, I think your underlying margin was relatively decent in the given environment. I'm wondering, can you maybe give us a bit of a split between how the performance actually separates between your standard business and your advanced materials, just to get an idea? Maybe can you also give us some color on the underlying gross margin trends into the fourth quarter?

00:32:13 - 00:32:37
Bastian Synagowitz: From what I understand, you're talking about falling scrap prices and the market is easing here a little bit. Then I think transaction prices are more or less stable. Are you seeing expanding margins and then possibly lower volumes against that as an offset? Obviously, I'm ignoring hedging effects and the maintenance break here as well, but I'm really just curious about the underlying margin trends into the fourth quarter. That's my first question.

00:32:38 - 00:33:22
Marc-Simon: Bastian, on the first question relating to Europe and then basically stainless Europe and advanced materials, we are not reporting and not guiding on the split of BA Europe in here and the advanced material, and the commodity business. I think what should give you an idea is when we think about the volumes, then around

15 percent is on the advanced materials side around 15 to 20 percent and the remainder is on the commodity business over here. Then your second question was on? Please remind me.

00:33:22 - 00:33:24
Bastian Synagowitz: Gross margins into the fourth quarter.

00:33:25 - 00:34:03
Marc-Simon: Into the fourth quarter. I think you referred to the scrap situation. Yes, absolutely. As we were reporting, we see that the scrap market has eased somewhat towards the end of the third quarter. The real impact of that one is not yet fully visible in Q4. First of all, it takes time to go through the machinery. We have and we will reduce our working capital, and our inventories, as I mentioned before. That takes a bit of time.

00:34:05 - 00:34:10
Bastian Synagowitz: Got it. Do you basically see expanding gross margins into the fourth quarter?

00:34:14 - 00:34:15
Marc-Simon: I wouldn't say that.

00:34:17 - 00:35:02
Bastian Synagowitz: Secondly, just coming back to Americas, and sorry to let you not get away with the business as easily, but I still find the performance hard to reconcile. I understand that volume's obviously low demand is very weak, but then still it's one of the most protected markets. You're basically almost in a duopoly. Imports have been going up, but when we look at your margins, you're making $30 to 40 US per ton despite standard or benchmark transaction prices being higher. It is the scriptures I'm following, they're not really explaining the delta. Can you help us to get to the bottom of the issues here?

00:35:02 - 00:35:15
Bastian Synagowitz: Is there a structural problem in the structural productivity or cost problem? What are you doing to tackle the issue, and other than the market recovery, is there anything that will help you in Q4 or 2025?

00:35:16 - 00:35:53
Marc-Simon: To answer your question, there is no structural underlying issue whatsoever in the business. I mentioned the main drivers which you correctly reflected as well. Particularly, when we look into the US market and as I mentioned before, into the manufacturing industry and the performance basically, and the demand situation over there, then I think that is pretty much explaining here. Also given the production volumes we are having, where the margin squeeze is really coming from?

00:35:54 - 00:36:49
Kati ter Horst: Maybe to add a little bit to what Marc-Simon said is that, of course, if you look at also the CIU data, you can see that the difference between European pricing, realized prices and America's realized prices has gotten much smaller. The US prices have gone down more in that sense in the past. Then I think that we have been able to get better scrap prices actually in Europe overall, and managing that than in the US. I think that has helped the margin more in Europe than in the US. Then, of course, that volume drops that we are now having and the weak market is a better-protected market but 28 percent share of Asian imports currently, is the highest number in four years. It does impact the pricing in the market.

00:36:51 - 00:37:25
Bastian Synagowitz: I very much appreciate your clarification. Then my last question is on the strategy and your role as a new team. Obviously, both of you are very familiar with the company and have literally been with it before taking over. What are your initial thoughts in terms of what has to change in terms of strategy and what are the obvious tweaks here? You talked about what you like about the company, its strengths, and some priorities, but are there any obvious tweaks and changes to strategy? I'm thinking particularly about growth, which I guess has been emphasized quite a bit in the last couple of quarters.

00:37:26 - 00:38:11
Kati ter Horst: I would first say that in a short-term and this kind of market environment, the full focus is now delivering on the Phase 2 targets that we have set for ourselves. Ensuring that we really get the 350 million run rate impact on EBITDA by the end of next year. We continuing our decarbonization agenda fully committed to that and ensuring now at least short-term that we really keep a strong cash position have a healthy balance sheet and are able to ensure our shareholder return. I think that's the priority. Then, of course, when we start working

on the next phase of the strategy together with the management team, we will also be looking at where our best growth opportunities could be.

00:38:11 - 00:38:20
Kati ter Horst: Maybe I'm talking here more about EBIT growth than the growth of the top line as it varies quite a lot from one cycle to another.

00:38:22 - 00:38:33
Bastian Synagowitz: Great. That's very helpful. Thanks so much. [Silence 00:38:23-00:38:33].

00:38:33 - 00:38:38
Operator: The next question comes from Tommaso from Jefferies. Please go ahead.

00:38:39 - 00:39:02
Tommaso: Kati and Marc-Simon, thanks for the presentation and for taking my question. My question is on the Americas, and I'm sorry to insist on that. I was wondering, given the current softness in the market and the deteriorating environment that you forecast into Q4 which is likely to have an impact also in Q1, do you still retain your €170 million by 2025?

00:39:03 - 00:39:08
Marc-Simon: Yes. On a normalized level, absolutely. We're still committed to that number.

00:39:09 - 00:39:20
Kati ter Horst: I would also like to add from my perspective now as the new CEO, that all along we have seen the America's market very interesting for us. Nothing changed in that area.

00:39:20 - 00:39:44
Tommaso: Thanks for that. Just to follow up on Europe. Q3 is usually the seasonal trough and we see some slow there, and the holiday season is well impacting. Where is the deteriorating condition coming from into Q4? Is it more pricing? Is it more volume?

00:39:45 - 00:40:29
Marc-Simon: On the one hand side, we have seen and talked about imports and also about the distributor levels, which have increased to a higher level above the historical average. I would say, the very weak market sentiment in the various segments. As mentioned already before, we do see from publicly available data that the manufacturing industry is shrinking. Also, the sentiment looking at the PMI at the moment. Those are the factors that I would take into consideration, and then driving.

00:40:30 - 00:40:32
Tommaso: That's very clear. Thank you very much.

00:40:34 - 00:40:35
Marc-Simon: Thank you.

00:40:37 - 00:40:58
Operator: As a reminder, if you wish to ask a question, please dial Pound Key five on your telephone keypad. [Silence 00:40:43-00:40:51]. There are no more questions at this time, so I hand the conference back to the speakers for any closing comments.

00:41:00 - 00:41:23
Kati ter Horst: Thank you everyone for your active participation. My message for the future is one of continuity and confidence. We have a strong foundation and we have a lot of good potential ahead. I would like to thank you for today once more. Wish you a nice day and a successful end of the year.