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COMPANY REPRESENTATIVES

Henri de Sauvage-Nolting, President, Chief Executive Officer
Frans Rydén, Chief Financial Officer

PRESENTATION

Operator

Ladies and Gentlemen, welcome to the Cloetta Interim Report Q3 2023 Conference Call. I am George, the Chorus Call operator. I would like to remind you that all participants will be in listen-only mode and the Conference is being recorded. The presentation will be followed by a Q&A session. You can register for questions at any time by pressing * and 1 on your telephone.
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At this time, it's my pleasure to hand over to Henri de Sauvage-Nolting. Please go ahead.

Henri de Sauvage-Nolting, President

Good. Thank you and welcome everybody in the room here, it's me and Frans Rydén, the CFO, and we will take you through the Quarter 3 results. So if we go to the agenda, we have the quarterly update financials and a few remarks on some strategic update, and then of course we will open for the Q&A.

So another strong quarter for Cloetta, very strong double-digit organic growth in the branded business that is now 20 quarters of growth take that in the respect of the 10 years without growth and only the 3 Corona quarters without growth. So that's really strong and giving us confidence for the future, even though a lot of the growth is driven by pricing.

Then also the Pick & mix business is very strong double-digit organic growth, and even with the effect which Frans will show you a bit more about our 1 Pick & mix customer in the UK going into administration which had an effect both on the top and the bottom line in the quarter.

If we then look at the profitability, we can see a higher adjusted operating profit in absolute sense, so that's really good, primarily attributable to the pricing to mitigate the cost, but also our own cost control and to really make sure that we are not raising more than needed to cover for things like raw materials, energy, transportation and packaging. So we're offsetting the higher input cost, and that is a thing we've been talking about before and also the way we will keep on running this business going forward. We're also taking the opportunity also with all the supply chain improvements we are making to really streamline and optimize our product portfolio and take out those kind of lines of business which are not giving enough EBIT or creating too much cost due to the complexities of really cleaning up parts in the portfolio where we think we can do better with.

Then the Greenfield project is progressing, it's a long process and the permitting process will probably take more time and we're coming back with an updated timeline to take that into account. And our net debt to EBITDA remains below our target of 2.5.

So with that said, I would like to handover to Frans.

Frans Rydén

Thank you, Henri. So as Henri mentioned, we are again pleased to report strong double-digit organic net sales growth, 12.2%, and this is honestly terrific organic growth, and especially as now, in Quarter 3, we are comparing ourselves to Quarter 3 last year, when we had already started to catch up on the pricing. So even if the growth in the quarter is lower than the growth year-to-date, I would argue that this is a further step forward, so net sales of 2.148 billion, it's also the highest that we've ever had in a quarter.

Now, the sales continue to be aided by the translation of our foreign sales to the weaker Swedish kroner and including that translation effect, the sales grew 19.5%. Now, what you might find interesting though is that if you strip out the 7.3% effect of translation, the quarter would still be our first quarter with more than 2 billion Swedish kroner's in sales. So that's a nice milestone I think, 2 billion.

Now, the effect of currencies will come back throughout this deck, but the key points are firstly, a stronger Euro helps when translating our foreign made sales and foreign earned profits to the result in Swedish kroner's. It also makes our SG&A look higher of course.

But secondly, as a result, we have also a need to take more pricing, because if we didn't, the Swedish kroner's we earned on selling those products in the Swedish markets wouldn't cover the Euro cost we incurred to produce the products in the first place, that is also if they are produced in Sweden, the cost of raw material is often purchased in Euros. The same thing applies also to Norway.

Ultimately though, offering the best value to the consumer is the basis for consumers accepting paying a higher price to our customers. And I've said this before, unlike energy and food, the consumer is completely free to decide if they buy our product or not and despite the inflationary environment, many are continuing to buy Cloetta products, and we are proud of this, and our own work to ensure that our brands have this pricing power and that our organization has the capability to execute that agenda.

Looking down at net sales by segment, so the branded package sales which accounts for 3.25 of our sales grew organically by 10.9% making it 11th quarter of consecutive growth and as Henri mentioned the 20th quarter of growth since 2018. Similar to total sales, this quarter we reported a higher sales with ahead of branded package product, since we started with segment reporting.

The growth is driven by pricing, but also some favorable mix within the portfolio and between markets, including with the ramp up effort on portfolio rationalization, as well as where we have stepped away from sales where our fair pricing has not been accepted.

With respect to the branded package volumes, I would argue, and I did this also earlier this year, that let's call it, our underlying volumes, and by that I mean the consumers' willingness to buy our packaged products that volume is just about holding versus last year. If I however include volumes where we have walked away, where customers are not willing to accept our fair pricing, then our volumes for branded package products are down, but actually not as much as the rest of the market.

The Pick & mix segment is also growing organically 16.4%, and you see it on the lower half of the slide. This is primarily driven by pricing, and it's the 10th consecutive quarter of growth in Pick & mix. This quarter, the profitability requires some unpeeling. Henri mentioned some of it, and I will come back to that. But Pick & mix does have volume growth, and there's not many businesses that can claim that currently. So, that is also very encouraging, and of course, it helps with absorption of cost throughout our supply chain, and that helps profit.

So, let's look at the profit. So, we're pleased to report further strengthening of the profit despite the one-time impact that Henri mentioned. Overall profit is up 20 million Swedish kroners. In there, you can see a strong FOREX translation effect, and then a slightly favorable net price effect, and that is the combination of pricing, efficiencies, and savings, less, of course, higher input cost, less the negative currency I mentioned, and then the net effect of the 2-1 timers we have in this quarter. So, we're very pleased to have continued growth despite all of that.

Now, with respect to the 1 timers, we had a gain of 12 million Swedish kroners relating to an electricity grant, but that was more than offset by the impact of one of our biggest customers in the UK entering into administration, a customer named Wilko, if you will to look that up. As a result, we have taken a provision for the receivables outstanding with that customer, that's a total of 24 million Swedish kroners.

In addition, the Quarter 3 result is, of course, affected also by the lost profit on sales that we didn't end up having to Wilko, and that's almost a full Quarter 3, and that, of course, is not a one-time effect, but it will affect Q4 in a similar fashion. We are now working through the immediate and long-term effect of this change, and Henri will talk more about the UK business shortly.

As for the volume and mix, it is slightly unfavorable, and that is both on account of volume stepped away from, but also because the mix between the 2 segments, where the faster growth in Pick & mix, growing from a total point of view, overshadows that we do have a positive mix both within the branded package sales with pastels and gum holding on to volume better than average, and for a positive mix between countries in both the 2 segments.

Now, while profit in Swedish kroners is improved compared to last year, we continue to see the effect of the compression from pricing with profit margin adjusted just shy of double-digit at 9.7%. Now, we will, of course, see an equal and opposite effect, so a decompression of our margins when costs fully start to come down. Energy cost does have come down, but sugar cost and coco have gone even further up, and then the negative currency effect in Sweden and Norway that I mentioned. So, we are not yet at the point where we are in a position to lower any pricing.

But let's look at the 2 segments separately. So, the drivers for the variance are really the same, although with a clear difference that the retailer who has gone into administration in the UK was primarily a customer of Pick & mix, so almost all of that hit lands in the Pick & mix segments. So, to help you, we have broken out what the underlying performance is. We want things more in terms of if consumers like the product and customers are willing to pay for it, and then separately, what's the effect of the administration of Wilko. And based on that, we have done a nice step up in profit in the quarter.

Now, despite the growth in profit, compression is also very clear here. It is holding branded package below last year, although the 13.3% in the quarter is an improvement versus year-to-date of 12.9%. The Pick & Mix margins, of course, are down for that different reasons, but if you excluded the 1 timer, it would have improved slightly despite the compression effect.

Moving on to sales, general, and admin, so as mentioned, the currency translation helps with top line and profit, but has the opposite effect when translating the cost incurred in Euro denominated countries to Swedish kroners.

So, SG&A, excluding currency and minor items affecting comparability is up on account of salary inflation relating to our own workforce, which is only partially offset by our cost savings, and likewise, knock on effects from inflation at suppliers, including where contracts are often indexed.

As we saw on the earlier bridge, we are able to offset these costs together with all other input cost and with the much higher sales, there is again a drop in spend as percent of sales both in the quarter, and even more year-to-date.

Now, with respect to investment in our brands, we have ensured to keep investments during year-to-date 2023 quite close to what we did last year, including with a bit less spend now in Q3, followed by, and I can flag for that already now, followed by an expected significant step up in Q4.

Q4 spend is planned to land around 20 million to 30 million Swedish kroner higher than Q3 spend, and that's similar to what we also did the last 2 years. So, we strongly believe that love brands are the key to consumers' willingness to consume and customers' willingness to buy them at a fair price.

I will also hear comment on that there is no major movements in the items affecting comparability on account of an expected different timeline for the startup of the Greenfield, as the increase of restructuring provisions is largely offset by a reversal of the impaired production assets, given that we will use those assets for a longer period.

Moving then to cash, as you probably recall, I mentioned that our cash flow would improve in the second half this year as it generally does follow such seasonality. And the free cash delivery for the quarter is 123 million Swedish kroners, bringing the year-to-date free cash flow to 102 million.

In this over and under comparison to last year, it does appear that we are doing worse than last year, but then there was a bit of a catch up effect in Q3 last year, and on a year-to-date basis, we are actually doing better in free cash flow by about 38 million Swedish kroners.

That said, cash is not where we want it to be, and we have increased our efforts in managing working capital to help offset some of the effect of the inflation and pricing. And given that we pay our suppliers before we get paid by our customers, our high business growth inevitably means more cash tied up in working capital, and that is what you see impacting our free cash flow also this quarter.

Now, the investment in CAPEX was a bit higher than normal run rate, as we are installing new packaging equipment in the plant in Slovakia, and the spend also includes about 5 million related to capitalized engineering support for the technical design of the Greenfield. As mentioned by Henri, given the regulatory process, we now expect to start the new plant later and therefore also start major CAPEX investments later in 2025 rather than in 2024 as previously communicated.

On the matter of the Greenfield, we have again provided details on items affecting comparability in the report and a... what I hope is, helpful bridge at the end of this presentation. Each quarter, we review the accounting for the Greenfield for any necessary updates, including now based on the revised estimate on timing, and for this quarter, as I mentioned, there is no major movements.

Now, coming back to the estimated timeline, so Henri will come back to this, but I still want to mention that we will still close one of the plants in Roosendaal in 2024, and we will selectively outsource volumes. This reduces the need for CAPEX, and together with other improvements identified in the quite detailed work on the Greenfield, enables us to stay within the net investment shared previously, which was 1.9 billion Swedish kroners, even if the current higher interest rates would remain when spend starts in earnest.

Today, we're not providing a full update on the business case, but given the high salary inflation in 2023, and based on the work to date, the incremental EBIT has improved within the range previously shared, which was 220 million to 260 million per annum.

I also want to, as I did in Q2, spend a little bit of time on the net financial items on this slide, and the continued effect of the weak Swedish kroner and the Norwegian kroner. As before, you really can't tell from the cash flow, since the net financial items in this quarter are mostly impacted by non-cash, unrealized exchange differences.

In Q2, the exchange differences on cash and cash equivalents, year-to-date, were negative 137 million Swedish kroners, as we closed the quarter with very weak, both Swedish kroner and Norwegian kroner. And now in Q3, about half of that has reversed out, given the strengthening of both currencies, so a positive 67 million effect. And while it's not impacting the cash flow, the strengthened Swedish kroner does impact revaluation of Euro-denominated debt, and that in turn helps net debt. So let's look at the net debt and the leverage.

So this is my final slide. Our financial position remained strong, despite the working capital and the effect of the higher input cost inflation and our offsetting pricing on that.

We have strong growth. We have improved operating profit adjusted. We have improved free cash flow year-to-date, and we have access to additional credit facilities and commercial papers, plus cash on hand of 3.7 billion Swedish kroners.

Our leverage of 2.0 is improved versus last quarter, and it is also the lowest we've had in a Quarter 3 ever, as far as I know. Now it's in part because the strengthening of the Swedish kroner and the effect of that on the revaluation, but also without that, the leverage would have been for yet another quarter well below our long-term target of 2.5.

And on the positive note of the leverage of 2.0, back to you, Henri.

Henri de Sauvage-Nolting
Thank you, Frans. So a few items on our strategy. So if we go to the new factory, the regulatory process will take longer than anticipated is at the moment what we expect, not 100% sure, but expect. So what has happened since then, there's a conditional purchase agreement for the land and the agreement is such that if we are not getting the permit, there are no costs for us associated with that. So that is secured. The city council has started the permitting process review. There are certain legal steps which need to be taken to give everybody a chance to react on the proposal and the permit which the government wants to grant to us.

We think that we will get the permit in 2024, but a lot will depend on how this will develop in the next couple of months. That means that our major investments will happen during 2025 and not '24 as previously communicated. And that would also mean that the plant will start operation during the second half of 2026. And of course, we'll keep you updated in the coming quarters when we have more clarity on the regulatory process. That's one.

Then we looked at how can we make both the business case become better, the CAPEX less, but also to get already some savings in. And that means that we will close the Borchwerf factory, that's the old Lonka factory from the acquisition from a number of years ago. We will close that plant in 2024. And through a mix of measures by insourcing into existing factories, outsourcing to third party, but also cleaning out some of the portfolio, we can do this, and that will have a positive effect on the total business and the business case, of course.

Then we went through the first phase of the tendering process for all the buildings, utilities, road works, et cetera.

So I call it the stuff which we are not doing that often ourselves in contrary to, let's say, buying new machines or processing equipment. And those inputs have been received and evaluated. And that's good to have that secured.

And with that information, and all the other changes we make through the program, we can see that the total investments remained within the budgets. And the savings have even improved within the range of 220 to 260. That's quite important because of course, we have more capitalized interest in their... that makes that what we have estimated and which we also communicated remains the budget and that we are secured that we will be able to deliver this project within the budget with more savings but delight as communicated before. So that's a quick update on the Greenfields.

Then the next topic is the UK's off course with Wilko as our 1 Pick & mix customer falling out. We did a strategic review on how to operate in the UK. Just to give you a bit of a flavor, I mean the UK, Candy and Gum market is a 2 billion pound market, so really big, 64 million people profitable, and if you look at Pick & mix, Pick & mix is only 1% of that total market and if you compare that to the Nordics where the average is around 20 there is lot of growth opportunity for Pick & mix in the UK but that will take time of course.

If you look at the portfolio we have, we have now 2 brands in UK. We've cleaned out also over there many of the non-strategic brands and product lines we had. So we have the Jelly Beans factory brands as one, and then the Chewits brands as the other leg which stands only in the branded business. And of course, both brands have been there a long time, Chewits in particular with a little bit of love and attention we see fantastic growth figures in both of these brands and that gives also a very good way forward to become a bigger company in the UK.

So what are we doing? There is new production lines coming in for Chewits which are going to take the cost of production down quite significantly, which will be very positive. We have changed our whole go-to market model in a way that we are going directly to the food retailers so that we don't work with distributors anymore. We see the volumes in the Jelly Bean factory going up, which is also good for the profitability and with clean portfolio, so quite important.

And then within Candy King, we do have the effect of the Wilko stores. There are some 391 stores, which are not selling Pick & mix anymore, and it also means that our merchandizing cost, of course, are going up for the remaining stores because there is a lot of fixed cost in there and driving to the store... driving to the city and visiting free stores.

So there is 2 major things we are doing. We are going out to all our customers at the moment to price for the fact that the merchandizing cost per store are up and we are also looking at (unintelligible) we are executing, restructuring of our merchandizing a few sales force and even some head office to adjust our indirect cost to the level of volume we now have within Pick & mix.

Then of course are the opportunities I already mentioned, so we can grow the volume per store if we go from 1% to 2%. I mean that will be already a doubling of the business and we are also able to grow in the number of points of sales. So within particular high-streets, that is where Wilko was classified. We already see some of our existing customers taking over the Wilko stores and reaching out to us to get Pick & mix into those stores. So as from next year, I would say, we are able to claw back part of that. We see that as well when we look at the year-to-date growth in the other stores and among Wilko stores, we see a growth of 14%. So we are confident that we will be able to mitigate the effect of Wilko going into administration.

Yes, then we go to the next one, on CSR I would say that quite some stuff happening and we do want to communicate a bit of an update on our vegan journey. Our commitment is that 90% of the Candy portfolio will be vegan by 2030. At the moment, we are 33% and that is progressing quite well. It's also a big consumer trend. It's also good for the size-based target initiatives if we go more into plant based. So that is happening. Then only for people, we have committed ourselves to being much more clear on portion control, which you can see there on the right. We will implement that on all our Candy bags in the period of 2024 to 2026. We also make people aware on the kind of calories they are getting when they are eating our product.

Yes, and then there is a few examples of what we are doing with brands. So our core brands, the most important ones we have, you can see that executing them and strengthening them is really helping... helping us. So one is the Ahlgrens Bilar, a fantastic upgrade of the packaging, making it more authentic but also in a more modern way which has sustained our packaging with the plant pack on there as well, and also renew communication package for Ahlgrens Bilar, which we are launching at the moment and also into Q4 and an immediate effect on our market share. So quite nice, very strong brand for us and then growing in the market with some fantastic execution.

And now, we have 2 examples from Denmark and Norway. So we have the Skipper's Pipe which is a icon brand within Denmark and this has been a project for at least 3 years to get mini pipes in a bag so that we can really get into new occasions and not like buying it for yourself but also able to share with family on the TV moment or whatever, and this product has been launched with such an tremendous force by the Danish team.

I mean, you cannot go into a store in Denmark and not seeing this and these products are massively coming on top of the current Skippers Pipe range. And it's now the... during the launch period, the 1 product within Candy in Denmark. And that's quite an achievement I can tell you.

And then another example is Pops, I remember that we launched the Tupla Pops last year in Finland, that an enormous success gaining a lot of new consumers and market shares. And that same product we have now launched under the Pops brand in Norway too early to show you the results, but I thought it was a very nice example where you can really scale good innovations across several brands. Because this product is existing and it's just a matter of the packaging and nothing more and the Pops brand really can carry this product in a good way. And it's a lovely product, I would say.

So with that said, we go to the Q&A and you can either ask it here over the phone or on the web.

QUESTION & ANSWER

Operator

We will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touchstone telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press * and 2 participants are requested to use only handsets while asking a question, anyone who has a question may press * and 1 at this time.

Our first question comes from the line of Nicklas Skogman from Handelsbanken. Please go ahead.

Nicklas Skogman

Hello, good morning, everyone.

Henri de Sauvage-Nolting

Good morning.

Nicklas Skogman

A couple of questions, questions from me. If you start with Wilko, you shared the bad debt provision and the impact on the profits in the quarter.

But you also alluded to that you now have basically no sales, but you still have a merchandising force et cetera, et cetera that is costing money. So I assumed there was a sort of a running cost impacting profits in this quarter as well. Now, you said you were going to restructure the sales force and you are going to raise prices to the remaining retailers who carry Pick & mix. But how should we think about the profit impact from Wilko in Q4, and then in the next couple of quarters?

Henri de Sauvage-Nolting

We think we can address this fairly quickly, but we will need Quarter 4 to do this. So the pricing is out there, so I can say that already, and we are discussing this with the all the Pick & mix customers for exactly the same reasons as you just say. And then also the restructuring process in the UK goes fairly quick, but that means that in Q4, we will have that combined effect, and then hopefully we will be ready in Q1 on the new base.

Frans Rydén

And just Nicklas, just adding to that, so it wasn't lost as well with what I shared. So we... sort of the issue with Wilko that came to light very early in Quarter 3, so we basically in this quarter we have hardly any sales relating to Wilko.

So when we think about Q4 versus Q3, that's... those are fairly like-for-like already. And then as Henri said, the restructuring of course that needs to take, you know, it's time to follow all the requirements around that.

Nicklas Skogman

Okay. That's perfectly clear then, thanks a lot. Second question is on the Greenfield factory. First of all, why are you closing this plant in Holland next year?

Henri de Sauvage-Nolting

Now, it's one of the plans which we got through the acquisition of Lonka. We have been struggling with the profitability of some of the parts of this portfolio. So we saw an opportunity now to get rid of some of these parts, and it's a rented production facilities, we were not the owners of that building. In the original plan we were going to move a small part of that into the new Greenfield, but now we found a different solution for that. So we don't have to wait with executing that, which means that we get those savings earlier, and also that we can save a bit of CAPEX in the Greenfield because we're not going to build that into the new Greenfield. So that is basically the background of that, and then we will be going out of that in the second half of '24.

Nicklas Skogman

Okay. But, sorry, this outsourcing, will that contribute to net increasing costs? I heard you were renting the facility, so that will go away of course, but I think you already impaired all the fixtures previously for these factories that were planned to be closed. So what will be the net effect of costs from this move?

Henri de Sauvage-Nolting

It's in-sourcing and outsourcing. So some parts of this production we will actually in-source in one of our existing factories, and we'll have a positive effect of course on the fixed cost of that factory because there's more volume coming into that plant. Of course, there has. It's an existing line, but there is always a bit of cost associated with moving a line from one plant to another. And then the outsourcing, I think we have been able to do that on a competitive level so that in the totality, it has a positive effect.

Frans Rydén

Yes, I mean I would add to this that. So part of the solution here, we would not have found that if we hadn't spent a bit of time on the Greenfield. So, it's really, I mean in a way you can think of it as network optimization.

I think. We actually... that's what we called this when we had the Investor Day a year ago as well, sort of supply chain restructuring. So, in that optimization as Henri says, there is other benefits that come in. So, we don't do an updated business case today, but yes, there is no reason to assume that there will be any extra costs next year as a result of this.

Nicklas Skogman

Okay, that sounds good. Thanks. Third question on the gross margin, I guess, but looking at the Q4, will there be a significantly smaller impact on the gross margin from previous price hikes compared to what we saw in Q3?

Frans Rydén

Well, I mean I think the... what we see now in Q3 is that we are having pricing on top of pricing, right? So, that's... that will be the same thing when we go into Q4 as well and of course, given that it's more and more cost and more and more pricing, this would be compression effect you know, kind of gets bigger and bigger all the time. I think there are the, sort of big thing I wanted to flag for Q4 against, it's not lost is that actually already when we came out of the pandemic, we stepped up our spend in Q4 on the brands and part of that is preparation sort of heading into the New Year, but it's also to get a good push at the end of the year. We did the same thing last year. It was a pretty big step up and what I shared here is that we will do a similar big step up also this year.

So, I think terms of margins that will be... have a much bigger effect than the... let's say the change in compression quarter-over-quarter.

Nicklas Skogman

I am not sure I understood. So, the... I was talking about the pricing impact on the gross margin, because you said in the report that you have covered more of the input costs this year than you did last year. I was just wondering if that... did we already see that impact in Q4 last year. It sounded like we didn't, so there would be also more of the input cost covered in Q4 this year than last year.

Frans Rydén

So, let me see if I... so, last year... in the beginning of the year, right, we were... we hadn't closed up on the pricing and during Q3, we caught up and let's say by end of the year, we were there and that had the compression effect. Then during this year, cost have continuity go up and we've continued to take more pricing, and we are sort of pacing fairly well right now. If I stripped out from this quarter the pricing and just assume we would have the same profit without the pricing, we would have been at close to 11% operating profit adjusted.

So, versus the you know, 9.5 we're at now. So, the more pricing we take, the more compression effect we will have. So, but it's not the huge difference Q4 versus Q3, but where we will have a big difference on operating profit adjusted margin that is the step-up of marketing investments in Q4 versus what we have done in Q3.

Nicklas Skogman
Okay. But okay, so let's talk about marketing spends. So, what's the year-on-year Q4 marketing spend increase?

Frans Rydén
Yes. So, I mean that's... we will... we already stepped up in Q4 last year. So, year-over-year, it's fairly similar. So, what we did this year in Q3, it's a little bit lower than what they was in the first 2 quarters. The same thing as it was last year. So, it's you know, fairly similar and then we do a step up in Q4. So, let's say the trend is very similar this year to what we had last year.

Nicklas Skogman
Okay. But Q3 this year was a bit lower than Q3 last year.

Frans Rydén
Q3 this year was fairly similar to Q3 last year, but it was less than what we had in Q1 and Q2.

Nicklas Skogman
Okay. I think I understand. Let's see, I think those were all. Yes, the final one would be back to the Greenfield factory. So, because of this delay are there... and you say the return on investment is unchanged et cetera. But do you have any sort of running costs that are now ticking because of this delay. Any significant costs.

Frans Rydén
No significant, I mean as you have seen in our items affecting comparability we do have you know, engineering costs et cetera with... and in the CAPEX, I mentioned there is like 5 million Swedish kroners of capitalized interest, but in the scheme of things, this is not big money and even for the land, the conditional land purchase, it's secured through a bank guarantee so there is no cash out there either. So, no...

Nicklas Skogman
No payment you mean...

Frans Rydén

Yes, no payment. So, no it sort of... let's say the whole thing pushes back the major CAPEX outflow, the cash outflow. That's pushed back and of course unfortunately the EBIT upside is also pushed back.

Nicklas Skogman

Okay, that's great. Thank you very much.

Frans Rydén

Thank you, Nicklas.

Operator

As a reminder, if you wish to register for questions, you may press * and 1. There are no more questions over the phone.

Henri de Sauvage Nolting

Good. And we don't see any more questions here on the web either. So, then I would like to thank you all for attending this call and we will talk again in... on the Q4 results. Thank you very much.

Operator

Ladies and Gentlemen, the Conference is now over. Thank you for choosing Chorus Call and thanks for participating in the Conference. You may now disconnect your lines. Goodbye.

- END -