

## Colt CZ Group SE Analyst conference call 9M 2023

Klára Šípová, IR:

Good morning, everybody. Very busy morning for all of us here. Welcome at the analyst conference call in connection with the publication of nine months 2023 financial result of called CZ group.

I would like to welcome today's speakers on the call. It's Mr. Jan Drahota, the CEO of the company. Hello, Jan.

Jan Drahota:

Good morning.

Klára Šípová

Also, Mr. Jan Zajíc from Česká Zbrojovka, Uherský Brod is joining us. Hello, Jan.

Jan Zajíc:

Good morning.

Klára Šípová

And we have also Jana Matoušková, the Group Head of finance on the call with us.

Jana Matoušková:

Good morning.

Klára Šípová:

You should have the presentation in front of you and it's also available on our website. Please know that this call is being recorded and please stay muted during the presentation. And now I would like to hand over to Jan Drahota to start the presentation.

Jan Drahota:

Good morning, everybody. Just to start, explanation where we are this time on the Czech side. So, we are missing Denis, the CEO of Colt. It's Thanksgiving today in the US and we thought that it would be too cruel to let him wake up at 4 a.m. So, today you will have to live with us and we will do our best to answer any questions you might have. First nine months of the year for our group. If I put general comment, I would say that it has been quite interesting nine months and they were, I would say, quite different on different markets.

As you know, our ambition is to be a balanced group, you know, 50-50 military and law enforcement customers and commercial market customers. So, what I can say that globally we see, I mean, really enormous increase of opportunities and even contracts within the MLE sector. So, professional customers, military, mainly, but police as well.

And the biggest commercial market out of them globally, US, it continues to be slower than we expected. So, basically, overall, it was over the first nine months of the year, for me, it's a disappointment. I thought that it would be better than where we are now.

Even looking at the guidance, we had bigger ambitions for a year than where we are and what we will present today. But overall, I would say that what is good is that we see that we are very well positioned, you know, in the military law enforcement segment, which is growing and will grow still, we believe, and we see it. And we believe that the commercial market is dependent on two things, on the cycle as well, a little bit, which we believe the cycle is now in favor, you know, going forward, and also on our ability to bring new products.

And I would say that if there is something where I would say subjectively, we are missing on the commercial market is that our speed to bring new products to the market. Because in the market, which is not growing, which is more stable, not so strong, you must have new products in order to win. If I go to individual KPIs, revenues, 9.9 billion CZK, which is around 3% decrease versus the first nine months of last year. Adjusted EBITDA at 1.935 billion CZK, which is 17% decrease versus nine months of last year. Adjusted net profit, 1.48 billion CZK, 1.5 increase versus last year. And adjusted EPS is down a little bit less than 1% to 42.6 CZK per share. If you go to next slide, please. Here, this slide gives you maybe more granularity to what I already said. You know, the biggest market or the share of the biggest market, global biggest market on our revenues went down.

So, from, you know, versus first nine months of last year, it's 10 percentage points. So, it went from 56% in nine months of 2022 to 46% share on overall sales of the group. It's followed by our home markets, would it be Czech Republic, which grew substantially based on the deliveries to the Czech army or to our local Czech customer.

In Canada as well, we grew substantially based on deliveries to Canadian government, which was most of the deliveries were related to shipments to Ukraine by Canada. And Europe is kind of flat at 13% and Asia and Africa are, let's say, below radar a bit. You know, they are a bit at five, respectively, 3% or 3% respectively.

Obviously, if I was to say one thing, I think that we should be much more ambitious for Africa and Asia, or we should have higher sales there because the potential there is as well quite substantial. As far as I already said that the revenues went down by around 3% and you see that the number of units sold went down by 12%. It shows you once again that we are selling more expensive products.

So, it's also showing that the share of military and law enforcement customers went up. Quarter revenues for you, this information is there for you to understand where we stand vis-a-vis the quarters of last year. I think what is interesting is the graph on the right-hand side of the slide, which gives you the revenues comparison.

We know the revenues reached in the first nine months of the year are 9.9 billion Czech korunas versus 10.2 billion over three quarters of last year. But you also have the quantification of the FX impact. If you do the comparison of the FX rates in 2022 versus FX rates in 2023, you see that we are short because of translation.

We are short of around 366 million Czech korunas, which gives you also a bit of the, I wouldn't say explanation, but it gives you a better idea of what are the influences. So it's not only a weaker

market in the US on the commercial side, but it's also quite influenced by the FX revaluation. Nevertheless, this is something which we have to cope with.

And because I think that our main scenario is that the Czech koruna will not get weaker unless inflation differential in the Czech Republic stays at the current levels, which is above eurozone. So, our main scenario is that the Czech koruna should and will appreciate going forward. So, we have to cope with that.

We have to cope with this by working on our Czech production sites in terms of efficiencies to be able to improve our competitiveness. Important slide. You have on this slide two information which are, I would say, key to because the revenues of over nine months and EBITDA for nine months is something which is passed.

Important is our view on the full year. Based on the guidance for revenues, 15.2 and 15.5 and EBITDA 3 to 3.3 billion, you see that we are less optimistic than we were. But also, you see that we expect very strong first quarter.

So, we expect this first quarter of the year will be again kind of record one because we see very strong deliveries there and we are actually realizing them now. So that's an important message from this slide. If you go to the next slide, net profit, you know, net profit, adjusted net profit, the story looks quite kind of simply because it shows you that the adjusted net profit is 1.482 million Czech korunas. So only small adjustment to minus this time of 55 million Czech korunas. But it's more comprehensive. There is a two influence which are going against each other, which is like as which is calculation or impact of ESOP.

But at the same time, revaluation of the acquisition, which we did in the first half of the year, which is the acquisition of the swissAA, where we have negative goodwill of around in excess of 300 million Czech korunas, which we obviously adjust down. So we are we don't take it as a this is negative adjustment because this is for me accounting thing. This is not the true performance of the business.

But it also shows you and this is I think important information that when we look at acquisitions globally, our approach is that we have to understand that that it makes financial sense to our shareholders. Same story for the earnings per share. I don't think that it makes sense to have to further comment those.

CAPEX, I would say CAPEX we are we are executing in line with what we what we predicted or what we gave as a forecast. And it should because that's important. So, we still say that the CAPEX will be below 5 percent of revenues for the nine months.

It was for 24 million Czech korunas. And CAPEX now is more balanced geographically. There is CAPEX done in North America, but importantly as well in the Czech Republic still.

That that's nothing to mention here. And that that is slightly up and it's based on the two important cash outflows we had in the first half of the year, which was dividend and also acquisition of swissAA. So that's basically it.

So, you can count where we would be now. Total business development, the last slide of the presentation on the right-hand side, you see swissAA, we are working on the post-merger integration. So that's basically taking place now.

It's we really like what we have in Switzerland in terms of ability and technical knowledge and client base. What we have to work on more is the supply chain, because obviously now with the supply chain a bit more tight. It's more challenging to get parts in amounts which we would like to have.

So we have now what we know for sure that there is much higher demand for what we have there because some of the products which we have are unique, like the multipurpose 12.7 ammunition,

which is really a unique product. It's not produced by many producers globally. It's you can count them on fingers of one hand and not even five.

And this is something where we are strong and we need to strengthen our supply chain in order to be able to satisfy the demand, because demand is definitely higher than what we can do now. So that's where we see a huge opportunity. You also see on the bottom part of the slide selected references.

You will probably recognize that on the right-hand side, two flags from territories where there is unfortunately a current conflict, which is either Ukraine or Israel. And we are proud to be part of our governments, our home governments, to help them to assist them in their aid to either of the countries. And there is also information because we because we were receiving our last one month's questions with regards to our stake in Vista Outdoor.

There is also, let's say, a little bit more information that so we currently as a group, as a group, own 2.4 percent share in Vista Outdoors and together with related parties, we own around 5.7 percent of voting rights. So, 5.7 percent stake in the business. It's present on our balance sheet as other financial assets.

Yesterday, we did a filing, which was a follow up to we have been shorted for quite some time. It's not that we bought into the shareholding over the last one, two, three months. We have been there for quite a bit of time.

You can follow in our balance sheet. You can consult our financial statements from the past that it has been sitting there for some time. And we filed and we filed the last communication we had was yesterday where we filed a 13D amendment to our or amendment to our 13D filing with the SEC, which we did around one month ago.

So that's so you can get the filing and you have a better idea what's going on there. And so that's it. That's it for the for the presentation.

Once again, if I was to sum it up, I would say this year has been challenging on both sides, challenging on our ability to deliver the products which are really demanding, which is the military products. That was really challenging and at the same time challenging on with weakness on some of the on some of the segments of the US commercial market. So it's a mixed year.

I would say that the figure, as it shows, and I'm frank with you because I am not satisfied where we are, you know, if you know, because we have much bigger ambition. But we believe that we have a superposition to going forward. We believe that this is that we have that this is this is that our business is really good.

That we have good outlook for this, but we have to deliver. Yes. So for me, the first milestone is to deliver the Q4 and then Q1 of next year and then and on and on.

So that's basically it for from my side.

Klára Šípová

Thank you, Jan. Ladies and gentlemen, we are now moving to Q&A session. If you would like to ask question, please raise your hand in the team's application or speak directly to the phone. And the first question is coming from Pavel Ryska from J&T Banka. Pavel, please go ahead.

Pavel Ryska

Good morning to everyone. I will have two sets of questions. The first set concerns operating things and the second one, the proposed transaction with Vista.

So I'll start with the first one. I think that the concern of some investors at the moment is that the drop that you have seen in the US has been partly compensated by good performance in the Czech Republic and in Canada. And when these contracts for the respective armies, the Czech army and the Canadian army or Ukrainian army, when this ends, what is there to follow these contracts so that your overall earnings do not drop even further?

So that's, I would say, the first concern. The second question for from the from the first part, do you expect organic growth to return in the US market? And if so, so when would be the realistic moment when this could happen? You were expecting it to turn around already in the second half of this year. It hasn't happened so far. So if there is a realistic outlook for next year.

Jan Drahota:

Thank you. Yeah, I will start with the answer and then maybe I will start with it overall. The overall we see rather more customers coming to us from military and law enforcement than less.

So that's the first thing we don't normally comment on individual contracts with each of these new armies. But in our home markets, Canada, you know, the Canadian deliveries to Ukraine meant that there was that we basically did a switch their need or their requirements to us on to prioritize Ukraine. But we have, as you know, we are in a in a position of a of a single supplier of small caliber, small caliber or small arms to the to the to the Canadian army.

So there are different programs which we are working on together and which will continue for us to work on together. So we are very optimistic about Canadian business. And you know that last time we showed you that that called Canada signed a deal with Denmark.

So it's so we don't see that this was a one off success of Canada. But we see Canada as a strong business globally and based on a very strong relationship with the Canadian government. And as you know, there is not a single government in NATO who decided to downgrade or spend less on its on its military.

So that's the first comment as far as the as the as the Czech army. I will give you a comment later. And as far as the U.S. commercial market, it's. I would say that there, yeah, I mean, the market is lower than we were expecting. Normally, if you get statistically and I don't want to predict where the market goes next year, you know, because it's really difficult, you know, normally in the election years, the market go up. And I don't want to once again speculate on that for us.

What's still valid is that we have to outperform the market, which I believe that we did on site of Colton. We didn't do on site of CZ this year. So for me or for us, it's unacceptable that that maybe CZ lost part of the market, part of its market share to competition.

And we knew that and CZ side, they are working maximally to have products which will be which will bring them back, the dynamics back to them in terms of in terms of gaining market share from competition on the U.S. commercial market. So maybe Jan can add to the to the Czech Republic. And I will then speak a little bit about Vista.

Jan Zajíč:

I'll agree completely with what Jan Drahota just said, we do see in especially in the second, sorry, third and fourth quarter, a huge demand, a lot of opportunities for. For Czech Republic or for CZ products, I mean, to be very specific to your question, the contract with Czech Army will finish in

the first quarter of 2024. We are now and in the last quarter really facing a significant delivery, which will be finalized in 2024.

And with this respect, what will happen after this? So there are a couple of things which are many of them already secured. We have already several contracts for 2024, 2025 and upcoming years for military and law enforcement.

As we do not disclose individual companies and not even the customers, I will not say, but we do see a fully booked capacity for products for 24. With the Czech Army, as well as for other European companies, the countries with regards to the 2 percent of GDP on the defense, we are in negotiation with the Czech Army for, let me say, extension or new agreement, because we haven't, I mean, it's not only Czech Republic, but the other countries also haven't finalized their rearmament or armament based on the agreements. So we are convinced that we will start a new wave of cooperation with the Czech Army already in 2024.

I cannot say more because it's an agreement between us and Czech Army. And once this is all finalized or any other armies, once this is finalized, then we start the deliveries. We will also ask the relative or respective parties to announce or to publish.

Jan Drahota:

To close it, for MLE production, we are, let me call fully booked for the next six to nine months. OK, so. And for the Vista, for the Vista, normally, you know that our policy is not to comment on going discussions, negotiations, transactions.

So this is this time it's unfortunately different because there is this public element to the potential target to Vista. And as we are more than 5% shorter, there are rules, there are rules which we respect for communication with the board and with the company. So that's why the information is public.

I think that it would be very premature to discuss more details. What I can assure you that when we look at any opportunity, we look at it with sober eyes, looking at it the way that we want to create value for our shareholders. And obviously, this time we are also we have emphasized that we think that it makes sense for current shareholders of Vista. I think that's what makes sense to comment at this stage because of where we are and what is our policy.

Pavel Ryska

Yes, thank you very much. Let me just briefly follow with general questions regarding Vista, nothing too much in particular.

If the whole transaction was to follow through, would the new company, which you call new Vista, would it have dual listing in the US and in the Czech Republic? That's my first question. Second, if this contract that Vista has closed with or agreed with the Czechoslovak group, if it really went through and if sporting products were sold to Czechoslovak group, would you be happy to stay as a shareholder in Vista and only to keep other products?

Or would you rather prefer exiting the company? And yeah, and that would be it regarding. So, I mean, you are asking very good questions, but you know that I don't have good answers for you.

Jan Drahota:

I cannot give you good answers. So because it's really premature. And I think that it's something where I cannot give you concrete answers. But maybe one thing I can tell you, any transaction which would happen in the current framework or what we outlined would have to be approved by shareholders on both sides of Atlantic. So it would have to be approved by shareholders of Vista and also it would have to be approved by shareholders of Colt CZ. So I think that on this one, that's the best answer I can give you.

And I really, you know, please, please do not force me because I cannot give you more because it would be once again against our policy. I think it would be against commercial sense overall. And the same goes for the for the for the for the stake in the business.

We bought the stake in the business because we thought that is a strategic fit. And we think that a potentially strategic thing we have not made. I mean, so that's so and we are behaving, let's say, in this logic.

Obviously, we were considering all the options. What makes sense, what doesn't make sense.

But now we finally decided to submit what we did submit. And I think it would be, once again, commercially not smart to comment what we would do if something happened. So, I think it's hypothetical.

So let us answer the questions once they are due, not before. OK, thanks, and my very final question, have you received any response from the board of Vista so far? Yeah, I what is not public, I think that once, you know, I think that they will behave as they have to behave according to their obligations, you know, to their shareholders, but also obligations vis a vis Czechoslovak Group, which sign the deal with them.

So I think that we have to we have to respect that. And it would be very, let's say, unfortunate or unprofessional from our side to go to comment anything that is not public publicized by them. OK, thanks.

Klára Šípová

Thank you. The next question is coming from Atinc Ozkan from Wood & Company. Atinc, please go ahead.

Atinc Ozkan

Thank you and good morning, all a couple of questions from my side, starting with maybe a follow up on your Vista bid. I've seen some news under Vista screen today on Bloomberg and their board stated that while they are going to consider your offer, they have not changed their earlier recommendation to company shareholders to conclude the deal with Czechoslovak group. Regarding your offer, I mean, is this final or is there any room for you to improve further your bid to make it even more attractive or is it just, you know, once for all the final offer and, you know, the option for Vista is take it or leave it?

That's my first question. The second one, again, regarding this potential merger, when I look to Vista's revenue stream, it's morally more dependent on commercial and civilian activities, including outdoor equipment. This is not really the MLE supplier you have been chasing in the past.

And how does that fit to your strategic objectives? Is there a change? Because so far you have been telling us we want 50 percent at least of our revenues coming from MLE.

And finally, again, related to this, what was the share of MLE revenues in your overall revenue stream as of nine months, please? And we are going to report this on a consistent basis because it's an important KPI. Thank you.

Jan Drahota:

OK, so a lot of questions. First one, with all respect, you cannot expect me to answer those, right? You know, because those are questions which are really, which are, first of all, I cannot comment for board communication, you know, for Vista board communication.

It's really difficult for me to comment. And as far as our pricing or bid strategy is concerned, it would be really not smart. And I think it would not be in the interest of our shareholders to comment on those either.

So I cannot comment on this. And sorry for that. But what I said, what I said earlier about our, let's say, our rule not to comment on going to discussions or transactions in halts.

And this time it's only different because we are facing a public company, which is also it's some obligations and which is in the middle of a potential transaction. So that's the answer to this. I know that it doesn't answer your questions, but please do not force me to answer something which I cannot, obviously, for obvious reasons.

As far as the target itself is concerned, you are right and you are right and not 100% correct at the same time. Or the business is definitely there is a significant exposure to commercial market, but it's still number one ammunition producer globally. And it holds a really strong position within the law enforcement segment in the US.

It's number one there as well. So, I wouldn't say that it's a pure commercial market play. It's significant exposure to US commercial market.

You are right. But this is, we consider, we have always considered it as an element of opportunity because we have a global business.

We are selling every year to whether it's 100 or 90 countries, but it's a significant number of countries. Obviously, we believe that we can do more with a number one ammunition producer globally, then maybe we can exploit further potential. So that's basically a quick answer to that.

And obviously, globally, the potential we see very much in the military law enforcement. And your question, your last question was about MLE share in revenue. Yes, MLE share in revenue.

Jan Drahota

We have not disclosed it. That's omission on my side and I will discuss with my team and we will put it to the presentation. Okay.

If I may. But to give you a clue, at the end of this year, I would expect that we will be 40 plus percent on MLE. That would be my guess.

And don't take me by my word, but I think that this will be, this is a fair statement.

Atinc Ozkan



Okay. Thank you, Jan, for that. And a final one. I noticed Heckler and Koch filed a complaint with the Finnish courts recently to protest Finland's direct arms procurement from SAKO, which is, as you know, Beretta owned. I understand this is a very long term handgun and assault rifle contract.

Was this something you competed for? Because I think there is a part of the contract that is related to Sweden. And we know that you have a supply, ongoing supply contract in Sweden. I mean, were you one of the winners of this tender or was this something completely separate? And are you going to bid for this if the tender reopens? I would say that, you know, it's a great question.

Jan Drahota

Obviously, we don't normally, we don't comment on individual contracts or even come to customers that that would be the obvious answer. But the truth is that, as you probably know, the, there was a, it was a process where Finland and Sweden agreed that they would source the product together. And they agreed for a source, which was, which is supposed to be Finnish. And obviously I cannot comment on Heckler and Koch's intentions or arguments. But obviously, what I can tell you that both countries would be or are our target markets. That's how it is, you know, and normally, those are definitely target markets.

And obviously, we are always doing our best to persuade local customer to do business with us. We are actually doing business with the Swedish Army, via Spuhr. It's not definitely rifles, but we are upgrading some guns for them, some rifles for them.

So this is ongoing, but the rifle program is currently communicated the way that this is a joint effort of Sweden and Finland. And it was G2G discussion. If things change, if there is something reopened, or definitely it's a market where we believe that we should be strong and then we should have a good product to offer because of our experience with, or because of our, let's say, possession of two individual platforms, you know, or basically three brands, because these are distinct, really distinct.

And you know that Colt Canada produces slightly different product than Colt US and Czech Republic sees that produces totally different product. So definitely, we believe that we would have a real, let's say, alternative proposal.

But once again, it doesn't make sense to comment on individual countries, because it's up to the countries to do their choice.

Atinc Ozkan

Perfect, very helpful. Thank you.

Klára Šípová

Ladies and gentlemen, next question is coming from Peter Bartek from Česká spořitelna. Peter, please go ahead.

Petr Bartek

Good morning. Two questions, again, to the US market and to Vista. First, in terms of the US market, if you can tell us on what expectations for the US market is based the full year outlook. I mean, if

you expect stability in the US and local currency, or if you still expect some decline in the fourth quarter.

And secondly, in terms of the proposed Vista deal, maybe if you can tell us if you have any commitment for the potential 600 million equity capital increase, or if it would be a public offer.

Jan Drahota

So, to start with the second question, once again, it's really not possible to comment on the ongoing transactions or discussions. But I can tell you that when we look at anything, when we propose anything, we are confident that we can make it happen. Yeah, that's basically, that's the important message. So, we don't throw around offers and letters just for sake of it.

We do, when we do offer something, we stand behind it because we know that we are able to execute. So that's the first answer. I know it's not perfect, but it's an answer.

And as far as the US commercial market is concerned, we are 23rd of November. So, I think that we should kind of know what we should achieve. So, for me, I look at it the way that we should kind of know how the year will end up.

So, we still look at the US commercial market in the third quarter of this year, not to change dramatically to positive. So basically, we know what we expect there. And that's it.

So, I would say that the year is done already, but we are very close to, to, we are eight weeks, maybe seven weeks from the end of the year. So, when we give our guidance, we should stand by it very firmly or very confidently. I mean, obviously, there are always risks, maybe it can be better, it can be, but these are not, this is not like, the fluctuation should be very small. It should not be fluctuation, which should be significant because we should be already quite confident where we are. And it's not possible to readjust our production tremendously over the next six, seven weeks.

Petr Bartek

Maybe follow up on that. The guidance for Q4 revenues is very high. And we don't know what share is related to the US commercial market, what share to the rest.

Jan Drahota

Minority.

Petr Bartek

Maybe one more question to Vista, sorry. The Vista sporting products division is declining this year together with the US civilian market. So actually, the leverage, which you estimate for the transaction of 1.8 times would be at this year guidance quite significantly higher. So if you count on that, what's your thinking about leverage, you know, visibly above two times.

And overall, the higher exposure to the commercial market, if you feel comfortable about it.

Jan Drahota:

You know, once again, I would refrain from commenting the transaction itself, but trust me, that what we did make sense financially. So, it's not that we were throwing away figures and calculations. So obviously when we propose anything, we have in mind the latest data and outlooks. So that's basically the first answer to that. So, and you maybe second comment to that is that, you know, that we look at leverage relatively conservatively.

We don't, I mean, we are not the guys who would be trying to shoot for free plus leverage, you know. So, you know, let's say, which we don't believe that three- or four-times leverage is something which is sustainable. We believe that it might limit the business, especially in the current environment.

So, I cannot comment on the individual calculations, but what I can tell you that they are correct. Okay. But obviously until the, you know, as you don't have the full details of the proposal, it might be difficult.

But once again, I think that let us work, let us discuss and let's see what we can get. And then once it will be ripe to present really concretely the proposal to shareholders, then we will do it. As far as the U.S. commercial market, I mean, as far as the exposure of Visa to U.S. commercial market, I think that I did answer that already a little bit. We are aware of that. We still believe that U.S. commercial market is an interesting place to be. And we believe that we can bring a lot of upside on the international side.

So, because we see it. So, I would say that, you know, I would say that we are confident that this makes sense. And trust me, we have been following or watching and we have been operating on the market for some time.

We have strong operations there in West Hartford, Connecticut. So, what we are doing is not done from the office in Prague, but it's being discussed with our team from Colt. Thank you.

Petr Bartek

Maybe still the comment on the U.S. market in Q4, if you expect stability or decline or increase?

Jan Drahota

I would say we definitely do not expect an increase. Definitely. So when we speak about our view of the market, and you asked me about it, we expect a minority of ourselves to go to U.S. commercial markets. So the majority will be to military and law enforcement customers. And so we don't expect it to grow. So whether it goes down or it's stable, it doesn't matter. We expect it to grow and we don't rely on it in our guidance.

Klára Šípová:

Thank you very much. Ladies and gentlemen, currently I do not see any outstanding questions. If you would like to place a question, please raise your hand in the team's application or speak directly to the phone. And the next question is coming still from Atinc Ozkan from Wood& Company. Atinc, please go ahead.

Atinc Ozkan

Thank you. One final question. If you could refresh our memories regarding the JV agreement, the most recent one in Hungary with N7, where you took over some very modern facilities belonging to Arzenal, I believe. These facilities, are they currently contributing a major contributor to your European revenues or is it still something in development?

Jan Drahota

It's not contributing.

Atinc Ozkan

Okay. What are we waiting for? Is it some procurement decision by the Hungarian army or something else?

Jan Drahota

You know, I don't want to repeat, I mean, not commenting individual customers, but the truth is that it's a JV effort and discussion and then we are making sure that the final shape of the operations will make sense for both sides economically and strategically. So basically, it's taking a little bit more time. I'm not happy that it's taking more time, but I think that it's good because we want to make sure that it fits super well to our supply chain, if I probably say, or production base, but at the same time that it fulfills the strategic concerns or strategic preferences of our partner in the JV. So it's taking more time.

The contribution was zero, if not minor and negative, but it's zero. I would say it's rounding error, so it's not something which would be worth mentioning and we expect to produce. You know, I tell you this, maybe it's an important message here, or maybe important thought, which I can tell you, that when you see the factory and when you see the operations, you always realize that any factory is based on people and ability to make the machinery and the whole place work.

So for us, it's something where we have to make sure that the resources which we devote to it will bring the expected outcome for us and for the partner as well. So on this one, it once again shows you that when we look at opportunities, we always look at them in a rational way. So we are not trying to have trophy assets or have flags around the world.

What we are doing always has to have a strategic sense and that's the approach which we feel in Hungary. We are having really good discussions with our partners and we want to make sure that it fits both sides' preferences.

Atinc Ozkan

Much appreciated, thank you.

Klára Šípová

Ladies and gentlemen, if you would like to ask a question, please raise your hand in the Teams application or speak directly to the microphone. Okay, I think that we have no more questions coming. Thank you very much for joining the call today. Thank you Jan and Jan Zajíc, of course, for participation and if you have any questions, please send us an email or call us.