

Preliminary financial results 2022

Analyst conference call transcript

Klára Šípová:

Good morning, everybody. Ladies and gentlemen, let me welcome you at the analyst conference for in connection with the publication of preliminary results of Colt CZ Group for the full year 2020. The participants on the call are Mr. Jan Drahota, Chairman of the Board of Directors and the CEO

Jan Drahota:

Good morning

KŠ:

And Mr. Jan Zajíc Who's Chairman of the Board of CZUB and member of the board of the group. Hello.

Jan Zajíc:

Good morning.

KŠ:

And early in the morning, in the US, we have also Mr. Dennis Veilleux, the CEO of Colt.

Dennis Veilleux:

Hello, good morning.

KŠ:

You should have the presentation in front of you. And it's also available on our corporate website, we will go through the presentation slide by slide and afterwards, you will have the opportunity to ask questions in the q&a session, I would like to ask you to stay muted during the call. And now I will hand over to Mr. Jan Drahota to start the presentation.

JD:

Good morning to everybody.

JD:

And also, you know, good morning to Jan and especially Dennis because for him it's early morning in the States. But now let's go for the presentation. But now if we start to discuss key performance indicators, let's start with revenues. In 2022 we reached revenues of CZK 14.6 billion, which is an increase on a yearly basis of 36%, adjusted EBITDA, almost 3.37 billion CZK which is more than 55% increase. As far as adjusted net profit is concerned, it grew by 96% to 2.28 billion CZK and EPS more than 67 CZK per share. So very successful year behind us, I think that it's appropriate that I thank all the people in the group working in Europe and North America but also lately in in Sweden, you know, to help us to reach those results. And I have to say that I'm very proud of the of the success in 2022. And I can assure you that it was a really demanding job and everybody put maximum to help us to reach those figures if you go to the next slide.

Now on this slide, we have split by products, you know, two main categories of products would be pistols or long guns or short guns. First of all, the unit split. You see here that now we have four regions, which are kind of very, very close to each other, our home market in Czech Republic or Canada and then you know, Europe and Asia representing around 10% of sales. Obviously, US stays, it's our home market as well, it stays the most important market at the same time. It's important went down a little bit.

We are getting to normal situation where we thought. And we always were saying that, in the past, when the share of us was 70%, we were always saying that for us, the normal situation is where, where the share of US business is around 50%. So now we are a little bit below that. And obviously, this is also related to the fact that the US commercial market experienced a decline last year between 20 to 30%. So, obviously, the importance or share went down on our overall sales, what I think makes sense to mention here that first of all, the number of units sold went up by only 10%. Whereas the revenues went up by 36%, which means for everybody understand that the result is more expensive products, would it be the split, the product split is more geared towards more expensive products, meaning rifles. So that's basically also important message from this slide. And also, you know, when we speak about substituting, you know, the business in the US commercial market, you know, most of the substitution was, you know, outside of the US obviously, about involves visibility, and customer service for professional customers, that's why we I'm talking about guns, rifles. So, that's information on the slide.

If you go to next one, here, this is, this is I think, important because it gives you more information about the performance, you know, in 2022. First of all, revenues and EBITDA, which we already did discuss at the beginning, but here you have also revenue and EBITDA in 2021. And what we did for your comfort, we also did pro-forma inclusion of Colt since the beginning of 2021. Because, as you know, we did start to consolidate Colt only in May 2021. So, it gives you that the business grew not only because of the inclusion of Colt for the full year, but it's a there is an organic growth of sales and EBITDA you know, as well. So, that's really important message I think here. So, the growth was double digit, if you measure it also the KPIs meaning revenues and EBITDA and at the upper end of the guidance, I think, what is also important message on this slide is the guidance which you are giving for year 2023.

So, you see that the range is a bit wider than what we were giving last year, I think that the main reason is we wanted you to understand a little bit as well better how we think about our business, but also we wanted to give you more granularity how the business evolved in over the last 12 months. So, you know, with share of M&L business growing and it has grown substantially, there is a little bit of different sales cycle than then on the commercial market. Commercial market is a market where obviously, you are selling on ongoing basis and maybe, you know six months ahead, if the market doesn't do anything crazy, you know, up or down, you know quite well what will be the sales in mid-market there is a more a lot longer lead time opportunities are obviously bigger, but, and what we can say that the opportunity overall, the opportunity overall, globally grew substantially, we see much bigger demand for M&L from M&L customers than we have we see the record demand we have never seen so much demand or potential. At the same time, there is some space between potential and contractual and selling so it takes time, you know, to, to, to win the tender or agree with the customer on what he wants to buy and then deliver and produce and deliver. So, we see the let's say a little bit different dynamics are right and that's why we also have the next slide you will see that when we speak about guidance, we are we are giving let's say three scenarios, where we are saying we are not we are talking about pessimistic control and group ambition scenario where the figures differ slightly and they basically depend on our ability to deliver what they already have in the pipeline what we already have maybe signed you know and also on the development on the US commercial market for us for this year. So, if you're up and we believe that we can really get new customers or larger orders, you know, definitely haven't seen in the past five years.

So outside of Europe as well, and, and what we, on the US commercial market, we believe that this year will be a let's say more stable year or less dynamic year than last year. Last year, as I said, 20 to 30% increase this year, we still believe that the market can contract but it will be single digits or up to 10%. So, it will be still stabilized market or not market which is growing, but we believe that we have, we should be able to outperform the market on the EU in the US. So that's basically what is how we think how we feel about things. And, you know, our ambition is right on the right-hand side and we were and but we also looked at it, you know, and we wanted to give you granularity, how we fix, you know, we think when things are let's say when we are slower into contract bigger contracts or produce bigger contracts, which are either in the pipeline or accounting.

If you go to next slide, this is also important slide obviously, first of all, on the left hand side, you have the development of net profit and EPS and you'll see that it grew substantially and then the positive results were on the, let's say, operational side. So, the project grew substantially, but also there was a positive effect of hedging. So, we So, even though so, so, we are, as you know, and we are very transparent in terms of disclosing our hedging, you will soon see details in the in the annual report. So, we are hedging, you know, constantly interest rate and this is. So, we have there is also on the net profit that is also impact on the on the positive impact of the of those transactions. And as far as dividends are concerned, we are saying that the board has discussed the distribution of the net profit for last year, we propose to the general meeting a dividend of 30, CZK per share, which is a 20% increase, compared to last year, it is roughly 50% of the net profit. So, it's in line with what you're saying, you know, minimum 50% payout for the profits paid to the shareholders. And how we look at it is that we believe that the year was really good review, the shareholders should get rewarded for it. At the same time, this is now, you know, being discussed with, you know, is that we, we were approached by an in discussions we met, you know, a lot of shareholders over the last six, nine months where we had different presentations. And, and, and the feedback was that,

you know, first of all, there are shareholders who expect us to expect us to, to pay dividends, because that's, that's part of the of the investment case for them. And at same time, some of them, you know, asked us whether we would consider dividend income, meaning that, it that they would have an ability to choose to get shares instead of dividends. So, this is some this is a option which we want to give to shareholders. So, we will, we will submit to the general meeting a possibility for the shareholders to opt out from cash payment. So, the base case is cash dividend 30 CZK per share, but the shareholders will have a choice if they wish to, to ask for, for, for share for payment, the shares, or the details of it are now actually being finalized. So, it's not, it's not what I can tell you, we wouldn't be doing the conversion or would be the direct for it, but, but we will definitely do that for the Joshua meeting. And once again, for us, the base case scenario is 30 CZK per share. That's the base case scenario, anything else and the share, dividend or dividend shares will be detailed in the proposal to form a general shareholder meeting. So, we also have to discuss the regulatory framework with regards to that.

If you go to next slide, Capex. This is last guidance item I have here for you today. First of all, last year, a figure was around 4.7% of revenues, which is in line with the guidance that you are giving. And also, you have the original split there, you'll see that there was a significant increase of CAPEX in North America. And this year, we expect to kind of same level in terms of share of revenue. So, we say that capex will be below 5% of revenue. So, between 710 and 750 million CZK

Okay, so one more important slide here is the is the debt profile is the is the leverage. So, we have, as you know, we have a relatively conservative debt profile, and we have not done a big acquisition last year. So our net debt stays well below 1.5 times, which is she's really, it's pretty comfortable. We now mandated Komerční banka and Česká spořitelna to do for us new bonds.

In q2, we are talking about we are contemplating you know, amounts and we are discussing, I would say that the logic is, the logic is really debt management, it's not that we are we, we want to finance something concrete, it's really more debt management, I would like the debt, just to structure to be flatter. So, that's, that's, that's, that's, that's, that's, that's it. And so, it's not exercise, which is which is aimed to do anything to find finance and a concrete acquisition, which is in the pipeline. The next slide ESG, I think this is important slide, basically, we discuss the results, but obviously, we are aware of our position in the in the society. So ESG is we are public companies. So we under we know that ESG is important for all the investors are most of them. So, we are preparing our first ESG report, which will be released at the end of June 2023. This year. And we chose and you have also objectives and ambitions for four categories. Concern. So that's, that's, that's something what is worth mentioning here as well. We have we are working with it intensively. And we believe that every time you know we have we are working on that with EY. And it's really, really great when we get feedback that there is a lot already going on result ourselves window dressing. For us, it's I always say that ESG for us should be cultural of how we do things, not something which is an exercise which is forced on us on either investors, regulators. Okay, so that's the day so you can count that you will receive the report. A new production site in Hungary, as you know, we already did notify that we did sign a JV agreement with the with the essentially with the state of Hungary. And the JV will be managing the facility in Hungary, it's basically a result of the transfer of technology in the past the gap, the factor is great, it's really state of our factory, but it's not really operating. So, our ambition is to create value for both sides, which is meaning that we would operate it to the benefit as a part of the group are the assets, the assets still would be owned by the Hungarian state and then the JV would be, you know, continued would continue to rearm armed forces of Hungary but also help us into supply chain technologies which are really great. Really, really great and really, let's say beneficial for the firm.

Okay, if you go to the next slide. As you probably noticed as well, we did as part of I mean, obviously, digitalization in general is important for us. So, we believe that you know, all the processes, there is a huge space for improvement, if you digitalize there, and also we touched it into our hours first of all collectibles. So, we already did announce that we will be doing that and we did in q4. In q4, we did issue first we did first tokens for limited editions, meaning that the people were able to buy NFTs you know, which gives them the right to buy a limited edition. Those limited editions were either White lion edition or the Tribute to Legends. We do auctions, you know in limited pieces, you know, based on the order ability of the factory to produce those, those pieces. We are so far we are really successful, how it's our it has been there's been going on and the results are very, I would say encouraging and we are basically doubling the sale price of more than doubling the sales price of those limited editions. Okay, thank you, if also there is a button but for us blockchain is not only for special things, but it's also important for us to have a direct relationship with the customer. That's basically where it starts and ends. For us this is something which we would like to have, because we believe that you can do more with our customers. And that's why we started a club.. And, and basically the ambition is once again to have membership program, which will in which will basically provide special features to the members of it and I can imagine that, or the features or the benefits can be that they will get training with regretful or that for example, if somebody holds X amount of tokens, you'll have a preferred treatment in the auction for next limited editions. So we would like we want to, let's say, encourage loyalty of our customers and have direct relationship because we want to understand them more. Honestly speaking, I think that we are still far if you speak about commercial market from understanding our customers well.

If you go to next slide.

Yes, France, Eric Grauffel. I did mention his name already, for I always refer to him as Michael Schumacher, of, of sport shooting is really, really unique. Sportsman, you know, most of World Championships in IPSC. Now, he last year, we basically we are minority shareholder in the EG CZ Academy, where we built an academy in, in the West of France in Quimper. And the academy was opened just before the year and it's a unique venue, it's a unique venue. its target audience is sport shooters or hobby shooters, but also professionals. So it's opening were present people from the Ministry of Interior of France, so it's police Special Forces, we believe that this is a great place for them to train and to train with Eric as well. So, this is something where we believe that that we speak about direct relationship with the customers services meaning like training and experience is part of it and they are serious about it and we believe that this concept is let's say transferable or you know, go about it.

And last thing to mention, we have we decided to really explore and seriously work you know, outside of the firearms business on development of the of the of the apparel business, we set up a company for horses apparel, we have a we have a guy that was working for working base and for us on that farm, Derrick Miller and the ambition is to launch you know within next 12 months a first line of apparel, which will be let's say, luxury, and we will be aimed at the heritage of the of the brand. So, this is it, I look at it for us in the context of brand of brands and brand building that we are really thinking about how we can leverage for our brands at the same time, I have to say that I don't feel that we are specialists in apparel. So we are really humble in this one in this effort and we want to do it smart and we will we are definitely not ready to burn shareholder resources unless you know that there is a strong business case and strong opportunity for us. But we believe that in this in this in the in the in the concepts such as we have it now as we see now is as its as its importance and values for the group. So we are so we agreed with direct to work on that.

And that's it. Thank you for your attention and now please use the opportunity you have Dennis and Dennis and JZ are with us. So now I will be more silent and they are ready to answer any questions you have.

KŠ:

Ladies and gentleman, we are ready to take your questions. If you would like to ask please raise your hand in Team's application. The first question is coming from Mr. Pavel Ryska from JT bank. Pavel please go ahead.

Pavel Ryska, J&T Bank

Good morning, everyone. So just to check if you can hear me.

Yes, very well.

Pavel Ryska, J&T Bank

Okay, good. So first of all, congratulations. For the very strong results of last year. I think it was it was above everybody's expectations. I have three areas of questions. The first one, early this morning, you presented three scenarios. And actually, one thing that I was wondering about was whether the neutral case, which is, which is the average one or say, the one in between, if this is your base case, that means if this is the most probable case that you see for your business, or if it is that you have three scenarios, and all of them are probably in the same amount. And also, one more thing about this, if the ambitious scenario, the best one, if this is meant organically, organic growth, or including some acquisitions? So that's the first question.

Second question is, so you are planning to issue new bonds. And I didn't exactly understand what this issue would serve, if you are not thinking about any concrete acquisition at the moment, if you just want to push forward the average maturity of your bonds, if that's if that's the only purpose. And finally, the third question, earlier this year, there was speculation in the media that Colt was planning to potentially have a license from foreign company and to produce higher caliber ammunition for the Czech state. So if you can comment on this, so that's it, thank you.

Jan Drahota:

You don't make it easy for us, because everything will be answered by me. And I didn't want to do that. Sorry for that. So first of all, probability, sorry, cases? No, no probability of four or four or four different cases. You know, we, I tell is, when we, when we state our ambition, this is what we would we want to achieve? Okay, that's what that's what I can tell you this is this is our ambition. At the same time, we wanted to be transparent. And we wanted to maybe explain how we think about the business course. Because what we are basically, the biggest risk which we see our is twofold, you know, you know, unexpected, far the unexpected, a little bit US commercial market, and our timing or ability to contract. America and many contracts, which we which we see in the potential pipeline, we see, as I said, we see quite a

quite a lot. But once again, there is a, you know, sales process to many customers, discussing with them potentially contracting, it's either called a tender or, you know, we contract because customer decides to buy the product, and then getting individual orders to deliver and delivering them and producing the order. And it takes some time. So we wanted, it's not that we haven't given any percentage or probability on those, you know, I think that we're on the flow of the year, we'll be able to communicate with you better, you know, how we feel about it. Our ambition is on the right hand side here. This is this is what we, what we how we speak with our people, but at the same time, I you know, I think it makes sense to be transparent. As far as the bowls are concerned. Yes, you are, right, we have nothing which we have to pay tomorrow. In terms of acquisitions, we have nothing to announce to you today. And actually, I have to say that I'm frustrated with some of the things are taking more time than we expected, you know. We are definitely disciplined and we are not ready to go for acquisitions for sake of it. So we are really on this one discipline and we want to make moves which way which we believe makes sense for the group in the long run. So we will be disciplined, we will still stick to our discipline. And the bonds are and we don't have to now, let's say use of the money as of as of now, we don't have it yet. So once again, this is I wouldn't say opportunistic, but this is a this is not a must have issue. It's a nice to have issue where we believe that it makes sense for us to do but we are not forced to do that. As far as your last question is concerned. It was about the grenades. You know, the discussion in the in the media. Yes, the contracts were signed. Yeah. Our daughter company has signed a contract with the Czech Republic to supply the end grenades and we are the and we will be using, you know, significantly using check resources, check resources to help us including the Czech state owned company or mot own company, which has operating which is a facility inevitability. So that's basically that's it.

Pavel Ryska:

Okay, thank you. Maybe one follow up. So this last thing, that's a new thing for the group, you haven't been producing this in the last few years. So can we know, for example, what percentage of sales this can represent? Is it going to be big? Or will this just be a very, very small amount for you?

Jan Drahota:

It's in order, it's for one customer. I believe that I don't know whether it was disclosed, but it's for us, the simple answer is it's a minor part of the overall revenues. But we believe that we are bringing, we are not doing it on our own, we are not trying to invent the wheel here, we partner is Rheinmetall you know, to do that. So, for us, what is important to say here that that that we are basically doing here a local transfer of technology, which is proven, which is the benchmark of the industry. And we are and we are transferring this know how to Czech Republic using our resources, our ability to do that, together with the MoD.

KŠ:

And the next question is coming from Atinc Ozkan from Wood&Co. company. Atinc, please go ahead.

AO:

Thank you, Klára.

And good morning all, my first question is related to your answer to the previous question. So you signed a license with Rheinmetall to produce grenades, or I guess, grenade launcher, ammunition. You need to invest in new machinery. And also unless I remember wrong, NATO restrict requirements to find a producer to handle its explosive who is engaged in explosive production? Do you need to physically invest in new buildings or new line for this new product? And if you could elaborate what caliber is? Is it 440 millimeter or lower? That's the first question. And the second question is regarding your capex guidance for full year 2023. If you could basically provide some color which specific areas this money will be spent for technology, modernization of machinery, new machinery, automation capacity, and you know, US versus Czech Republic splits. Thank you.

JD:

First question, I will answer then I will let Dennis and Jan answer the rest as far as the data is hand-grenades. So it's great. And as far as the technology is concerned, there is yes, there are there is some machinery, we don't have to build any buildings because as I said, we are doing it in cooperation with the MoD subsidiary, which has everything equipped to handle the exposes and all the attacks. So basically, it's a project which is actually being worked out. But it's it doesn't require us to do anything in our facility to Uhersky Brod broad, because the production as such will be done in a facility which already has experience and ability to handle or explosives and it's a facility owned by the state or Ministry of Defense owned subsidiary which as we just explained.

Concerning capex the share between US and CZ roughly 50:50. It's first the result, if I remember well slightly bigger in US and to answer it very, very quickly. We are not going to invest to the further capacities at least in in Czech Republic, that the main target is to further develop product so the majority this year will go to the r&d development testing facilities testing centres, it means all about products. Second is quality, quality. It's again goes together with a product and the third main category, which is again align is productivity. So driving ready for a higher robotization, automation and digitalization. So three categories as I am for a main focus of capex and Dennis do you want to add something else?

DV:

For us, maybe just a couple of comments. Similar to what Jan just mentioned, our focus on capex in the US is driving down cost reindustrialization, some areas where we haven't invested in a while to be able to produce more consistently, you know, in maintain the high level of quality for and also separately, but along the same lines, for new products, we have some new products coming out this year. And in the coming years, and the investment is to industrialize those new products.

And, and then, I would say, overall, the investment is being looked at, really, as a group, which we're really leveraging, in analyzing where we are as a group between, let's say, the Czech Republic, other areas beyond identified early on, like Hungary, etc., where we have manufacturing capability. And we're really taking a step back from, you know, the individual looks at where we are, as individual pieces of a company and looking at it in a much broader view. So it's, it's an Iran in the US, it's mostly industrialization, re industrialization, and for new products and driving down quality, increasing cost on some of the existing products. Thank you.

AO:

Thanks. If I may follow up with one final question. In your nine month presentation, you had provided an indicator mix for the customer base, it was 30% or 20%. Emily, and the rest was commercial. Do you have that figure for fully?

JD:

Yes, yes, I was actually expecting this question. So the split will be, we'll be approaching 50. It's not yet 50%. But we are above or we are around 40% Plus, so. So the group the share grew substantially, you know, if you compare the discussion in 2021. So it's a significant increase of the share of M&L customers globally of the group results that just wanted to add, that's valid for both brands, it means growth substantially for many, most brands.

KŠ:

Thank you. And the next question is coming from Jan Raška From Fio Banka, please go ahead with your question.

Jan Raška:

Good morning. I have one question on Hungary a joint venture project. What is an annual plant capacity of this facility? Is the capacity similar as in, for example, Uherský Brod factory, you can say that's it say this. Thank you.

JZ:

You know, the great question, not an easy answer, because it depends on what will be the production there on this plate. Obviously, the factory is super, as I say, very well invested, you know, great, great, great machines and but the factory, the factory, what makes the factory is the people, okay? And be and even though there are people already, the skill is not there yet. And the factory is not yet industrialized. So basically what Dennis and Jan mentioned is that we are looking at Hungary together, I mean, Dennis and Jan are actually really important part of the discussion and participate discussion. And we are really evaluating what could be done for both, you know, local customer, but also for the group, you know, to make us more efficient and also make the JV worthwhile. Because we do business for money. And so the capacity is there and but it depends on the on the on the products, because you cannot compare. It's difficult to compare anything to Uherský Brod because Uherský Brod over last five years, we invested so much money and we have such skilled workforce, once again, thanking them for their hard work, that we have no capacity, the capacity there is really beyond what we ever thought five years ago. I mean, five years ago, he thought that we are limited to 400,000 pieces. And now we know that it's for us now to produce 30,000 pieces per month. It's something which we know which we know we can do easily. So it's not comparable. It's comparable by some machines or even better in some machines. But it's not enough to make it to say that this is a what is the capacity. So please give us time we believe that there are really interesting opportunities for us there and for the state of Hungary there because we believe that the business can be really interesting, but we need more time to

let's say to define what the capacity will be because we will define what it will be producing actually.

Jan Raška:

Okay, thank you.

KŠ:

And the next question is coming from Peter Bartek from ČS. Peter, please go ahead.

PB:

Good morning. Thank you for taking my question. I wasn't in the call since the beginning. So maybe it was already offered those discussion to that. But I would like to know some details about the US civilian market, how it looks there. What was the reason for the quite substantial decline in q4? And how do you see this quarter? q1? Thank you.

DV:

So the, you know, we've had, we've had some pretty significant inflation in the US. During a during 2022. It's stabilized now, it's getting better. That being said, the, you know, the, the Colt products did well, during 2022. They're, let's say a premium, more of a premium brand. And the some of this, some of the CZ products didn't do as well. So when you look at the overall, you know, sales of US products to the US civilian market, they were overall down, but mostly on the on the CZ product side. So if you if I step back and speculate why wy was that down? First of all, the overall market was down due to inflation due to other factors.

However, in addition to that, I think the people that are buying some of the premium branded products, the higher much higher priced products are less affected by some of the inflationary issues. It's speculation, but that's the thought process behind that. And as far as the commercial market or the civilian market, for 2023, it remains strong. It's still, you know, if you look back over the last several years, it's still one of the ways, you know, even 2022 is still one of the best years for commercial sales in the US and we anticipate 2023 to be, as Jan mentioned, for the overall group, flat to you know, plus or minus. So it's, we're looking forward to a good another good year. And we have some new products coming out.

PB:

Do you think that the lower end of the market was affected more than the than the higher end?

DV:

Yeah, it's maybe a little bit more detailed than that, but generally directionally Yes. And when I say it's a little more detailed to that, it's there was some specific products that the market was saturated with that CZ offered, which were more on the What's a polymer handgun side and some of the smaller caliber semi-automatic rifles.

KŠ:

Thank you, we are ready to take next question. If you would like to ask question, please raise your hand in the Team's application or speak to the phone directly.

PB:

I just noticed the revenue growth in Canada. While that's significant over 200% I know that Colt is an exclusive supplier to Canadian Armed Forces. So I wonder what was the real driver? It wasn't really any sales or was it also commercial sales and M&L segments, do you think that there is any indirect shipments via Canada in the armed forces to Ukraine in that figure? Thank you.

JD:

You know, I will let Dennis to answer most of the question. The first comment is that there is you know, Canada is a specific situation because there is this base effect a lot because when we say that Colt Canada is by far the biggest contributor to our Canadian sales, you know, I mean, by far, so obviously having had having you know, we are comparing was 2021, when we had only seven months or six months of Colt Canada. So obviously the increase is very much related to that. But I will let Dennis maybe to elaborate more on the rest of the question. So there is significant base effect related to Canada, I would say that's, that's really important to say here.

DV:

That's right. In so you know, simple answer to your question is, yes, it's all. All the growth was on the was on the MLE side, it wasn't, it wasn't a commercial growth period, and various very small sales to the commercial environment in Canada.

JD:

The second part of your question, referring to maybe you could ask me again, the second part where you were talking about Ukraine, is that what? Yeah, I mean, we know that all NATO members are supplying, you know, surplus equipment or whatever they had in the war reserved for Ukraine. And given that, you know, you are project producing the, I think C 8 or C 10. For Canadian Armed Forces. Do you know whether any of the orders you got from your government client in Canada, was actually for Ukraine?

So, in 2022, very small, but we do anticipate in 2023, to have some and forward.

KŠ:

Ladies and gentlemen, if you would like to ask question, raise your hand in the team's application or speak directly to the phone. Currently, I see no questions coming, maybe Pavel Ryska from J&T Do we have a follow up question as well? Yes, thank you.

PR:

So this is like a more long term inquiry. So you speak about a jump in demand worldwide, and especially probably in Europe after the start of the war last year. And I think the investors would like to see like, more color on the timeframe, because this is part of the investment thesis in quality is that. So is it the case that after the start of the war there have there have been already some signings of new contracts, which came out of this this this new security situations? Or is it rather that there are still negotiations going on? And there are no direct consequences now for the business? Thank you very much.

JD:

Yes, and yes, I will say that, I mean, if I speak about demand, I speak about potential, which is really, the military shows are now really busy. And customers are really asking, you know, questions, and they are getting budgets. So I will say all the Army's you know, starting with special forces, ending with Western infantry, they are getting money or promises of money. So they are really considering upgrading, enhancing and buying. So that's first of all, so that's it. So the so that's, that's basically the timing of it depends country by country. Obviously, if I say that we come this year, we will, we will contract new things. So let's resolve this, but some of the countries are more clear, some of them are less clear, we are not here. When we think about our budget, we are not thinking about something which is two years ahead, honestly speaking, we are thinking about something which we are fairly confident that we are able to deliver because the customer is also ready to spend. And as far as individual constructs are concerned, yes, we saw some enhancements, some orders, but I still be Honestly speaking, I believe that there is and will be much more to come because of the situation and also because of the prioritization. Yeah. Needless to say, I don't know whether you ever checked it. The you know, I think that if you ask German producers not of small arms, but overall defense sector, how much of how much of German government of those 100 billion which they promised to spend spent, that's one of the biggest customers in Europe, not our butter on the small part, you see that they didn't spend anything. So governments are, let's say, faster in some countries and slower in other countries. That's how it is you know, but we believe that this year we should be picking some fruits which were seeded some time ago and this year or last year and so we are quite confident it could be really interesting for the customers.

KŠ:

Ladies and gentlemen, if you would like to ask question, please raise your hand in the team's application or speak directly to the phone

Thank you very much. So I think it was a very nice call. And good, good a session. Thank you, everybody for participating.