



Q2 Report 2021

Tuesday, 17th August 2021

NKT

Alexander Kara

President and Chief Executive Officer, NKT A/S

Welcome Address

Good morning, everybody, thank you that you take the time to listen to our Q2 results of NKT and NKT Photonics. I have here in the room with me Line Fandrup, my CFO, and Basikl Garabet, the President and CEO of NKT Photonics, which you will hear later.

NKT Performance in Q2 2021

Positive performance driven by all three business lines

If we come to the Q2 numbers, and we pre-announced the Q2 results on 16th July, so you will not hear too many new surprises. We have disclosed our EBITDA revenue for NKT Photonics, and we have updated our guidance. As such, no surprises to expect in this call.

Key developments in Q2 2021

Overall, our key message for Q2, is we had good organic growth, satisfactory growth overall for both NKT and NKT Photonics. 20% organic growth in Cables, and all the three business lines contributed to the revenue growth and also to the earnings, and this is the highest EBITDA result since 2017.

We have some order wins. Troll West and AC Cable, [inaudible] customer and Dogger Bank C, a DC offshore wind farm in the UK, which completes then the Dogger Bank cable order, where we had already received Dogger Bank A and B.

In Photonics, we had the highest ever Q2 revenues of 28% organic growth, which was mainly driven by the industrial segment, which is also great[?].

The Board of Directors has decided to resume the strategic review of NKT Photonics.

Solutions

If you now look at the performance. As I said, a satisfactory quarter, the best since 2017, 21% growth, and you can see that here also, on the sharp[?]. And in Solutions, we had good utilisation in the factory with different kinds of orders which we produced, different cable clients, and then two awards, as I mentioned already, which brings up back to a record high order backlog of €3.16 billion in market price. Which is of course great, as it increases our visibility and planning capabilities for the way forward.

Applications

Also, in Applications, we continued to improve on the financial performance. We have increased revenue and also the earnings efficiency, and I will come back to this a little later.

Service & Accessories

Service & Accessories achieved the highest ever quarter. We had an exceptionally good quarter, especially in Service with repairs, and this of course contributed strongly to the result of Q2.

Solutions – Q2 2021

Improvement driven by execution or order backlog

If you go then to Solutions, here, as I said already, we had different types of cables produced in Karlskrona and Cologne, DC, like Dogger Bank A, and AC, offshore, like Ostwind Troll for oil and gas with Equinor, and Viking MI cable. A good mix of cable production in Solutions, and as such, a good utilisation in the factories.

Then, what is also highlighted is the completion of the NordLink interconnector from Norway to Germany. This is also, personally, for me, a great achievement, as I was personally involved in 2014 in this tender on ABB, and finally, this project is now in service. From the award in 2014, it takes actually quite a long time to install such a large order, but a great achievement, and good to see that.

NKT Victoria was busy in Q2, the first half had good utilisation with vessel installation. And what we are now looking in, and what we have started already in Applications & Accessories, looking at structure optimisation of the business. We have initiated the process for Solutions, how to optimise the Solutions business from the cost structure, the portfolio, which we have also pre-announced, and with up to €40 million of cost, which is a mixture of CAPEX and other costs.

High-voltage Market Development

High activity level leading to order awards

Looking at the High-voltage market overall, I think what is good is there is about €2 billion which have been awarded in the first half, which is good for the industry, and which helps the industry to increase the utilisation, which is great for all. As I said, we have been successful with Troll West in Norway AC offshore cable with dynamic sections, and the Dogger Bank C, which completes the total Dogger Bank order.

We continue with tenders in different market segments. The majority of the orders which have been awarded in the first half have been DC and some AC. And you see on the right side Dogger Bank C and Troll, which have been added to our backlog.

High-voltage Order Backlog

Returned to a record level of €3.16 billion, up from €2.95 billion Q1 2021

Going now to the backlog. With these two orders of Dogger Bank C and Troll West, we return back to a record high backlog of €3.16 billion in market price, which gives us good visibility and planning capability for the future.

Applications – Q2 2021

Continued improvement in profitability

Looking at Applications, we have increased revenues to €124 million, up 6%, and also the earnings have improved to €7.6 million. Here we see a result of the improvement actions that we have taken, and we expect this trend to continue.

We are also progressing moving the building wires from Asnaes in Denmark to Poland, to have a focus factory concept. This relocation is ongoing and will obviously take some time.

Also, on the medium-voltage side, we had some good momentum in the market in the Nordics, but other markets were a little bit weaker.

Thus, good traction in Applications, and more to come in the coming quarters.

Service & Accessories – Q2 2021

Exceptionally strong financial performance

Service & Accessories, a really good quarter, I would say, with €65 million on revenues compared to €36 million the same quarter last year. 90% growth, mainly driven from Service with several offshore repairs, but also good traction on Accessories with medium-voltage accessories from Nordenham in Germany.

Also, we did work on optimisation on the business. And as we announced earlier, we concentrated the high-voltage Service business in Alingsas in Sweden and moved those production capacity from Cologne to Alingsas.

€14.5 million EBITDA – quite a nice achievement for one quarter. Unfortunately, this is not expected to continue, as it was driven by repair orders.

With this, I think you have the highlights of the cable business, and I will now hand over to Basil, who will give you more details on Photonics.

NKT Photonics

Basil Garabet

President and Chief Executive Officer, NKT Photonics

NKT Photonics Performance in Q2 2021

Highest Q2 revenue ever for NKT Photonics

Good morning, and thank you, Alex. What a great result for Cables, it is getting harder and harder to catch up. Let us start with Photonics.

We had a great quarter. It was a great, satisfactory quarter. We had the highest revenue for Q2 in Photonics. The revenue improved as well as EBITDA and it is compared to last year, which was obviously impacted by the COVID-19 pandemic.

Our organic growth was 28% which was driven by very good growth in industrial. Medical & Life Sciences had a modest growth, and Aerospace & Defence had modest year-to-date, but the actual quarter was up 30%. We are seeing some fluctuation in organic growth in the Defence side, but if you take it over a year, it is relatively steady and we are very pleased with the way it is performing.

Obviously, due to the higher revenue our EBITDA increased earnings, including redundancy costs, we are at zero EBITDA because we had something like €0.4 million of redundancy costs.

The other good thing that happened to us which is very pleasing to us, is that our order intake was also at a record high. It is at 41%, which is an all-time high for Q2, again very pleased. We have been working very hard with our customer and our customer base to improve the business going forward and it is good to see it come home.

Finally, on 16th July, the Board of Directors decided to resume the review of strategic alternatives for NKT Photonics.

Go to the next page.

Business Development

Medical & Life Sciences

In the business development the Medical & Life Sciences was driven mainly by our microscopy, and our ophthalmology business is doing well. We are getting more traction in the ophthalmology field and we actually expect that to grow, and it is one of the focus areas for the company. We have ideal products that fit in there.

We are also benefiting from the release of a number of different products that we did last year.

Industrial

In the Industrial segment, which is our biggest segment, and also is the fastest-growing this year, the main contributors were the semiconductor industry. We supply a number of lasers that go into major tools in the manufacturing area of semiconductor, that is doing relatively well. Also, the other area that is doing very well now is quantum – anything from quantum research to quantum computing, etc., there is a big build of our customers in there.

Power cable monitoring and Distributed Acoustic Sensing is also doing well, and we are in record high order intake in that side.

Aerospace & Defence

Finally, in Aerospace & Defence it was the smallest activity, but we are growing. The project-level activity is very high. Again, something that is nice to see, and we see that growing also in the US going forward.

With that, I will hand it over to Line. Thank you

Financial Highlights

Line Fandrup

Chief Financial Officer, NKT A/S

NKT Group

Improved revenue and operational EBITDA driven by both NKT and NKT Photonics

Thank you very much, Basil. After going through the business, we go through the financials. If we just have a look here, the income statement highlights, enjoying the organic growth and the change this quarter for both companies, NKT Cables is coming out of solid growth even in 2020, and now further to that, 21% growth in Q2, so there are a lot of things underneath that are going on, as Alex also alluded to. Then Photonics on the growth also to see that the 2020 path has changed and now we are looking at very, very solid growth. Thus, overall, satisfactory for the company as a whole.

This also points to some earnings that are strong in the quarter, €42 million total for the company on operational EBITDA, and the Cables part constitutes €26 million increase compared to last year in the same quarter, but also Photonics coming into a breakeven. If you just know a little bit about the seasonal pattern of Photonics, we now have ahead of us a second half which is usually high above the Photonics earnings level.

On the market level, this also pans out into good results, so this is really great to see. The net result for the company is positive and compared to the same time last year, we are up by a point[?].

If you just have a look on the FTE side also, you see here that the corridor expansions in the Solutions part is adding some to the growth in NKT Cables, but also the underlying changes in the factory footprints in Applications & Accessories is also impacting here, where you will see it change for the coming period also. And in Photonics you see the opposite, you see the restructuring that Basil alluded to, taking the FTE numbers down a little bit.

We had no one-off items in Q2. In Q1, we had €10 million, but that is also part of the Group earnings level.

Balance sheet highlights

If we go to the balance sheet highlights, here you note that the working capital changed significantly from the first quarter of 2021. I will come back to that. I can say here that it is primarily coming from Solutions and Applications business. In Photonics, there is actually an improvement in the working capital due to more effective collection of trade receivables.

Going down to the growth, you see the company as a whole turning into positive. This is of course very much impacted by the improved profitability in the Cables division. And you see the net interest bearing debt impacted of course by the working capital changes for the quarter, but coming significantly down compared to the same time last year, of course, due to the capital raised in 2020.

Our leverage level NBD-to-operating EBITDA is 1.7x EBITDA for the quarter and with expectations that will come down again with the expected capital improvement.

If we go to the next slide on the working capital.

NKT: Working Capital

Increase in working capital due to development in Solutions and Applications

From Q1 of minus €65 million to Q2 of €130 million, this is due primarily to Solutions and Applications. As you know, and we talked about earlier, the Solutions business is very much prepayments and milestones in general, and this quarter, we actually had a phasing of the milestones that impacts us unfavourably on the Solutions business. This combined with the hedging instruments that we run as a business here, drove up the working capital quite significantly.

Overall, the commodity prices is, of course, also impacting NKT. You can say when the metal price goes up, our receivables increase more or less correspondingly, and the payables decrease and more or less has a neutral effect against that. Then you see, of course, also inventories and raw materials, anything we have in stock is also taking some of that metal pricing. However, it is important to say here, also, that we are working on the internal elements of inventories and accounts receivables and the milestone payments and where some of these effects are more or less also related to the seasonality of the summer build-up in inventories and the hedges, so this will be coming down in the quarters to come.

Cash flow statement highlights

Then having a look at the cash flow statement and the free cash flow for the period. Working capital, the change here, of course, is not favourably impacting the free cash flow. However, the EBITDA positively contributed to the level, whereas our continuous investment in the expansion in Cologne and Karlskrona is also taking down our free cash flow.

We are good track on the expansion programme and you will see over the second half also that the investment level continues to be impacted by this.

Financial Outlook 2021

Coming to the next slide on the outlook for the year. As we came out on 16th July with specification to the guidance, there is no change to this now. We expect NKT Cables coming out on the other end of our revenue guidance of €1.1-1.2 billion and similar in the operational EBITDA between €80-100 million where will be in the other end. NKT Photonics changed the outlook for the year on 16th July based on the good performance seen. Now, we are looking at 8-15% organic growth on the revenue and an EBITDA margin of 6-8%.

Key Messages Q2 2021

Just to recap the key messages of Q2 here. A strong organic growth in NKT Cables across all business lines contributing positively and getting the operational EBITDA to the highest level since 2017. Our backlog returned to a record level of €3.16 billion in market prices based on also the awards from Troll and Dogger Bank C. And Photonics having the highest ever Q2 revenue with 28% organic growth compared to last year.

Finally, the Board of Directors has decided to resume the strategic review of NKT Photonics through the China hit.

With that, I will pass over to the questions session.

Q&A

Kristian Johansen (Danske Bank): Thank you. I have got three questions. The first one goes to the mix in Solutions. As you are guiding lower earnings, and you have talked to this worsening of mix going into the second half, I understand you expect it sequentially to worsen in Q3 and worsen further in Q4, so whether that is correctly understood. And secondly, when do you expect then this mix to improve again?

Alexander Kara: Okay. I think, as I said, we had a good mix in Q2 on different cable types and this is changed a little bit unfavourably in the second half. We just won the [inaudible] as an AC order, so, ideally, we want to have an optimal mix in the factory which would ensure maximum utilisation of the Solutions factory. It depends very much on the order wins. Also, of course, the second half is somewhat bigger because we have a record high Q2 in the Service & Accessories business, as you wrote also this morning in your report, so this will somewhat weaken the second half of the year.

Kristian Johansen: I understand. If we look at just Solutions though, I guess that there is probably a limited amount of orders which can really change the second half given the amount of months left. However, then looking into the beginning of next year, do you still see opportunities to optimise that mix for the first half of 2022?

Alexander Kara: Yeah, absolutely. One thing to also mention, we have won sometime back a major part of the German corridor project which we expect also to start production next year. This of course will also contribute, if you want to say, not really a new segment but quite a massive amount of cable and that will help. However, we are not yet there. We have not come out with guidance for next year. We will do so when it is time to do so.

Then Troll West, the AC order helps, yes.

Kristian Johansen: Understood. Then my second question, this investment into the Solutions business where you expect to spend €40 million. I understand you are reviewing this, so the exact actions you are probably not able to share right now. However, can you maybe then elaborate a bit on the motivation why you have felt the need to make these changes?

Alexander Kara: No, the need is very simple. Part of the job of NKT is to improve the results of NKT, and we have done good progress in the last two years, also have initiated a lot of actions in our Applications business where we see some results, and this we expect to continue. We have taken actions on the footprint. If you look at the 1kV movement, the building via movement accessories, high-voltage concentration in [inaudible] source, then optimisation in factories and different actions, and we have also staff on the Solution side to look on improvements.

Now, we are looking for further improvements to also look at the cost structure and what can we improve in the business to increase our competitiveness, particularly in the lower profitability segment to get a broader part of the market to increase our market share. This is just a continuation of what has already been started in other business lines. We will continue this until we on a level where we say we are satisfied, which will most probably never happen.

Kristian Johansen: Fair enough. When do you expect to have the plan ready to share with us in terms of exact timing and earnings upside to these investments?

Alexander Kara: I think we will come out during the second half with some more detail.

Kristian Johansen: Understood. Then my last question is just on these repairs. Obviously, it is fairly evident that they were quite profitable for you in the second quarter. Can you just comment on what amount of repair works you have been doing here in Q3, so far?

Alexander Kara: We had several repairs, for example, the BritNed repair which is on an MI cable, which is quite a complex project, is from the UK to the Netherlands. Then we have Baltic 1, which is an offshore wind farm from 50Hz, so there were several. However, it was just coincidence they were concentrated. We had another repair – not a full repair – offshore with TenneT and this contributed to this result.

However, again, as you wrote in your article, this is not plan-able. You cannot assume that we will have the same pattern in the second half of this year. Of course, we work with service agreements with customers if anything happens, then this repair bill order to NKT. Okay, if there will be a repair from external factors, it is not plan-able.

Kristian Johansen: I guess my question was more on whether you have initiated any large repair work in the third quarter.

Alexander Kara: Sorry, I misunderstood. No, there are no other large in the cycle, no. Not that we are aware of any external cable which has broken.

Kristian Johansen: Understood. Thank you, that was all from me.

Alexander Kara: Okay.

Max Yates (Credit Suisse): Thank you. Good morning, just my first question is on the Solutions margin. You did 14.1% in Q2. It sounds like the factories were well-utilised. It was a good mix of projects. I am just trying to understand, as we look out into 2022 and 2023, is there room to improve margins from this 14% level or is this an example of when everything goes right, you have good mix, this is the kind of level the business should be achieving? I am just trying to understand if you look at this quarter as an example what additional levers there are that you can pull to move margins higher from that 14% level, or is that a fair reflection?

Alexander Kara: Yeah. In general, to further improve margins can happen if we have increased utilisation and have a good mix. And then as we just announced, we also look at the structure and the cost base of the Solutions business, and this should also lead to an improvement of earnings. This is why we have initiated this process. We also expect we will start production of the German corridor next year, but we are not yet here on the guidance discussion for 2022 or 2023. The plan is to obviously work on it and to further improve.

Max Yates: Okay, fantastic. And just my second question would just be thinking about the balance of your backlog when we look across years in 2022 and 2023, and also the types of cables in your backlog both AC and DC, and I just wanted to understand, do you view your backlog as relatively balanced when you look at when your factories will be utilised in 2022 and 2023, or are there certain technologies which we should be looking out for, where you really need to win some orders to make sure that your utilisation is relatively balanced across 2022 and 2023? Just to understand the different technologies and phasing, that it is balanced.

Alexander Kara: Sure. We were quite successful overall in the past quarters on order wins on the DC technology but also on AC, as this quarter, we just announced Troll West AC thicker[?] cable. However, we have more capacity on the AC side and also on the MI side. For MI, there is no project yet awarded, and that will be difficult for 2022 because it also takes some time. We have capacity to take some more orders and also particularly on the AC and MI which impact AC 2022 and MI 2023, rather than 2022. Thus, still more possibility to further optimise the factory if awards are there, and if we are successful. However, of course, we are also looking on improving the business.

Max Yates: Okay. Do you not see that as an issue when you look at the MI project pipeline? Because my understanding is that your margins in Solutions in Q4 are weakening because you are finishing the production of Viking Link. Just to understand as we go into 2022, do you see projects out there in MI that can fill this capacity?

Alexander Kara: No, there are projects which are out, but there is always a delay from the award until you start production. I do not say it is an issue. I just say with additional AC and MI, we could further optimise it. On the other side, we also have the German corridor project for DC land cable which we will start next year, so that also contributes to the loading and the mix of the factory.

Max Yates: Okay. And just finally, on the Photonics process, and I realise you have only just restarted the process, but assuming you are able to dispose of this, could you maybe talk a little bit about your capital allocation priorities balanced across paying down debt and hybrid bonds, thinking about additional shareholder returns, how you see those for the Group?

Basil Garabet: On Photonics, just to answer your question, no decision is made yet on disposal of anything. It is just a strategic review and we have not concluded on that review. We just started it, as you mentioned, and it will take however long it takes to conclude and then we will announce what the conclusion is and what the results will be.

Line Fandrup: Then just to build on Basil's comment in terms of proceeding and the question, you are right, of course, there are multiple options, as you also mentioned and are not decided as of yet. We will review and conclude that and then of course will begin to introduce possible processes.

Max Yates: Okay, perfect. Thank you, everyone.

Akash Gupta (JP Morgan): Yes, hi. Good morning, everybody, and thanks for your time. My first question is again on the guidance. Income revenue had a very strong performance in the first half, and I guess part of that is driven by these one-offs in Service which may not come in the second half. However, at €110 million, it is implied €37 million for the second half against €73 million in the first half. I wanted to understand how much of this is driven by you being conservative because of the previous disappointments that you are not raising the top end of the guidance phase now or to what extent it is driven by the mix in the projects which may not be fully captured in consensus.

Line Fandrup: Akash, it is Line here. I think it is fair to say, as we repeat that the utilisation of the factories is number one in terms of the Cable business. Execution and good margins bring up the earnings, right. What we are looking now at the utilisation we have, we see that we will come out at a decent level. Certainly also, is that the Services is not to be predicted the kind of repair jobs we have.

Then maybe also the note that this business is a project business. As you know also from history and our competitors, there can be rather large wins which will always make us at least consider about any unexpected events that could come. Not to say this is the main part of it, but that it will make us consider it when we do any adjustments to our guidance what that would mean.

Akash Gupta: My next one is on Solution full-year revenue. You reported €23 million for the first half and you are indicating around 10% backlog converted into sales in the second half; and 10% of €2.66 billion will give me around €590 million or slightly below €600 million revenue for Solutions. Is that the right math or are these numbers rounded which may indicate that you may have higher revenue potential in Solution for the year?

Alexander Kara: 10% is a rough number and we said we are cautious, that we expect somewhat weaker second half, so we will see. We will work on it, and there could be some in-and-out orders which help to improve the numbers. In the Cable business and the large projects there are always variation orders which could improve the revenues, but these are really short-term improvements on revenues. This needs to be seen, so for the time being, it is unlikely that Service will have the same strong second half than the first half.

I would not call the Service a one-off. You need to do something to get these orders. It is not just you have to the right of some numbers. We work on it, and of course, we do everything to improve. What we see for the time being is somewhat weaker.

Akash Gupta: Then my final one is on market share and market share in broad Solutions and repairs. In Solutions, on my back of the envelope calculation you had roughly 20% market share in the first half orders. And when we look at the second half orders, and as we hear from some of your competitors in terms of complexity of the project like Eurasia and others, can you say if 20% would be a fair assumption for the second half orders?

And then coming back on market share in Repairs, I think your performance stood out against the competition where basically we have not that strong repair performance in the first half. I wanted to ask, is there anything that you have changed in the organisation which is why you are gaining market share here, and should we expect to continue in the future? Thank you.

Alexander Kara: Yeah. The market share is obvious it can vary from quarter or even within the half-year quite substantially depending on the success rate on orders and the size of the orders, sub-orders. Last year, we had order intake which increased our market share beyond 20%, and, of course, we are now at a very high level of backlog of market share at €3.16 billion. Akash, of course, our investment is aligned that we cover our backlog and the intake of future orders, so we need to see how that matches our capacity. We need to also see how much we can take in, as we need to also deliver.

About the market share in the second half, this is very much dependent on the wins that come, and that can also vary quite a lot. Will the large interconnectors be awarded? To whom? Will a smaller be awarded? Of course, we plan to keep our LTM market share at an average over the period.

Repair, we have not done specific actions on the organisation. We focus on ready preparedness orders to get more in, which increases the likelihood of getting a repair if it happens with the customer and this specific project. Of course, what I have done very early when I joined NKT, is I intentionally split the business line more in the focused business line – Service separately, Accessories separately, Applications, and so on – in order to have a clear focus here, and to also solve areas from the past, and to also prepare for the future. I have intentionally increased the control of spend in the organisation, and that is maybe the combination of certain actions. We see some results, but definitely the repair is somewhat just statistically not predictable and to a certain extent is just happened in Q2.

Akash Gupta: Thank you.

Claus Almer (Nordea Markets): Thank you. Yeah, I also have a few questions. The first question goes to the pipeline. I think you indicated some shortcomings about awards. When do you expect the next large project awards coming to the market? That will be the first one.

Alexander Kara: That is difficult to answer. We see here, potentially, some delays in the CFD in the UK which might slip into what we expected originally the end of this year, and then the beginning of next year could move even further out. These large projects and the awards they have their own dynamic which is actually not in our control. It really depends on the customer and even on the authorities, and permits, and financing, and you name it. There are several aspects of the super-large interconnectors in particular, so I cannot tell you when a NOY[?]

Connect, for example, or others will be awarded. That would be pure speculation, so we need to see. As you know, on some projects you work for potentially years. Some you take and slip out and move on. This is the nature of these large infrastructure projects.

Claus Almer: Sure. I know we have learned the hard way in the past that it is very difficult to predict the exact timing of projects, but do you expect more projects to be awarded this year?

Alexander Kara: Yes, I do.

Claus Almer: Okay, good. Then the second question goes to the guidance. I guess at least that the Service division has exceeded your own expectations. Is that a fair assumption?

Alexander Kara: You need to do a lot to exceed my expectation. Let us say there is definitely an outstanding quota, absolutely. Also, performs well on executing these repair jobs.

Claus Almer: I was more like compared to the guidance when you started the year and what you included for the Service division, I would assume at least that the Service division has done better.

Alexander Kara: Yeah, you are right.

Claus Almer: Then this may be a slightly nasty question. Because then if something goes better and you are reiterating the guidance for the Cable division, then something else must have underperformed to maintain your guidance. Is that the way we should look at it, or is it like Dean[?] said, let us see, this is a project business and there might always be some swings in the business performance?

Alexander Kara: No, I mean, it is not that other business has performed less. I would not call it like this. We have now just also specified the guidance to the upper end. Before we said €80-110 million, now we say upper end, which means closer to €110 million. I think consensus is €112 million. This is where we are. This is where we are, we have changed or specified the guidance. I would not say that other business is performing less. We work on the second half and let us see, and hopefully, we can present good results.

Claus Almer: We hope so, yeah, thanks. Then just my final question which goes to Basil. In the report it was mentioned this possible component shortage. Are you doing something to mitigate a possible situation? What are you actually doing and what is the risk for a component shortage in the second half this year?

Basil Garabet: Hi Claus. Yeah, obviously, there is a risk and we are mitigating on several fronts. We are buying ahead of time on a number of components very specific in our production, very specific in the possibility for shortages. In general, we see most of our suppliers having delays. The delays are not in months, they are more in weeks, so we are mitigating against that as well. It is hard to see because it is a dynamic situation at the moment, and we are also qualifying other suppliers to the strategic components that we might have shortages on. So far, like you said, the delays have only been a number of weeks rather than months or quarters.

Claus Almer: Okay, that is good to hear. Then I am a little bit unsure about this strategic review timing. Did you say anything about when could we hope or even expect an outcome of your work?

Basil Garabet: Claus, it just started. We announced it on the 16th, which is a month ago, through the holidays. The process is just starting and we will announce it in due time.

Claus Almer: No guidance whether this will be this year or next year?

Basil Garabet: That is all part of the review, is to look at the options and plan what we are going to do with the asset.

Claus Almer: Sure, okay. By the way, great quarter. Thank you so much.

Basil Garabet: Thank you.

Alexander Kara: Okay. Then I think if there are no further questions, thank you for your good questions and that you took the time to listen to our Q2 results. And I hope you have a good day, and hope that we talk again when we have the Q3 numbers ready, of course, hopefully, with good numbers. Thank you very much, have a good day. Bye-bye.

[END OF TRANSCRIPT]