



Fagron Q3 2023 Results

Thursday, 12 October 2023

Fagron Q2 2023 Results

Operator: Hello, and welcome to the Fagron Trading Update Q3 2023 call. Please note, this call is being recorded. For the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end. This can be done by pressing star one on your telephone keypads.

I will now hand you over to Karen Berg to begin today's conference. Please go ahead.

Karen Berg: Thank you, and good morning, all. Welcome to Fagron's Q3 2023 trading update. We will start with an explanation of the results by our CEO, Rafael Padilla. And then we will hand the floor over for questions, which will be answered by Rafael and Karin de Jong, our CFO. So thank you all. And then I would like to hand over to Rafa.

Rafael Padilla: Thanks, Karen, and good morning, all. Welcome to our third quarter and nine months trading update, where we are pleased to see growth across all our regions.

North America has continued its strong trend, delivering record growth.

LatAm has bounced back as market conditions improve, while EMEA has been stable during the third quarter.

Next to strong revenue performance, we also continued deploying our operational excellence initiatives globally, and as reiterated, quality remains one of our key competitive strengths. So we are pleased with the successful completion of audits at our Letco and Polish cGMP repackaging facilities.

We also continued to execute our disciplined M&A strategy as we acquired Parma Produkt in Hungary. This acquisition gives us access to the attractive Hungarian compounding market, which enhances our diversification in EMEA. We are also happy to announce that SBTi has reviewed and approved our near-term emission reduction target. This marks an important step forward in our sustainability agenda, which remains a core strategic priority for us.

Lastly, for our full year revenue guidance, we expect a €750 million to €770 million range. On profitability, we reiterate our guidance of year-on-year increase.

Moving on to the next slide, we have the nine months revenue development at Group level and across the regions, where EMEA and LatAm have delivered solid growth, whilst North America delivered an outstanding 27% growth.

On to the regions. In EMEA, as explained at half year results, the pricing pass-through exercise is now concluded. The Compounding Services segment, driven by the Netherlands, maintained its strong growth momentum on the back of enhanced capabilities and favorable external trends.

The B&E segment, softer after a strong first half, was more variable during this third quarter due to an increased holiday impact after COVID normalization.

Finally, our focus on diversification across the countries where we operate in EMEA continues with good progress. And as mentioned earlier, we added Hungary to that mix.

Turning in to LatAm. The revenue development in the third quarter shows a nice bounce back as consumer demand in the Brazilian market continues to show gradual recovery. We have maintained market leadership despite the heightened competitive environment over the last year, supported by the operational efficiency measures and our strong innovation and commercial capabilities.

Colombia continued to show exceptional growth as we advance in our efforts to diversify within the region.

Looking at Q4, we expect further recovery and remain confident regarding the growth prospects over the mid-term.

Coming to North America. We are proud to report record sales and growth during the quarter. Our improving operational excellence in this region is very visible with the progress in B&E and Compounding Services. At B&E, we saw continued recovery through the quarter following the integration of the Letco activities. The FDA conducted a three-day audit at the Decatur cGMP repackaging facility towards the end of the quarter, which resulted in one observation.

Moving to FSS. We also delivered an exceptional performance, as we are well placed to capture the rising demand in the outsourcing pharmaceutical compounding market. Regarding Boston, the integration is on track, and we can now operate in 33 states.

Finally, coming to our wellness division, Anazao, we also continue accelerating the impressive growth rate, driven by rising demand in prevention and lifestyle treatments and temporary drug shortages.

On to the next slide.

As we have discussed several quarters before, we continue to operate in a heightened regulatory environment. However, with quality being our key priority, we review it as a competitive strength of our business model. The FDA audit that concluded towards the end of the quarter at Letco with only one observation, demonstrates our strong emphasis and focus on quality. On that note, an inspection at our cGMP repackaging facility in Poland also took place during the quarter with cGMP and GDP certificates being renewed. Lastly, and as announced during our last call, the St. Paul's facility's closure is on track and should be completed by the end of this year.

Coming to Poland, the Polish parliament passed laws containing changes to the reimbursement system for the overall pharmaceutical market. We have been invited to be part of the national commission overseeing the rollout of the compounding segment.

In the Polish market, we are well-positioned, thanks to our commercial strength and leadership. We also remain confident in our ability to navigate through these changes over the mid-term.

Turning to the environment we're operating, our top priorities are to strengthen the defensive nature of our business, which are maintaining strong growth rates with resilient margin, increased global diversification, focus on quality and operational excellence.

Our targeted investments to support organic growth not only provide us with the opportunity to upscale and expand our product portfolio, but also maintain the highest quality standards resulting in a true competitive advantage. As mentioned earlier, our disciplined M&A approach supports the overall business performance and further increases our presence in new markets.

Finally, we have continued working on our One Global Fagron program and have particularly made progress on the global IT harmonization, centralized procurement, production and distribution capabilities.

Moving on to our guidance for '23. We expect to be within the revenue range of €750 million to €770 million. Also, as stated in previous quarters, we expect an expansion in the REBITDA margin year-on-year.

Following our strategy of investing for growth, we aim for a Capex of 3.5% and with a one-off related to the announced licensing deals and the new Tampa and Decatur facilities, which progress according to plan.

Finally, Fagron is a global, vertical integrated, niche, defensive, high cash-generating company, which is consolidating a highly fragmented market with favorable underlying trends such as demographics and personalization. We benefit from a defensive and resilient business with diversified geographical presence and the broadest product portfolio in the industry.

Our operational excellence plans will drive several efficiencies across the company, mainly on global procurement synergies. Disciplined M&A also remains a key part of our growth strategy.

To conclude, sustainability is a key strategic pillar of which we have taken a significant step forward, thanks to the SBTi approved targets, as together we create the future of personalized medicine.

Now time for Q&A.

Questions and Answers

Operator: Thank you. Ladies and gentlemen, as a reminder, if you would like to ask a question on today's call, please signal by pressing star one. And our first question today comes from Stijn Demeester of ING. Please go ahead.

Stijn Demeester (ING): Yes. Good morning. Thanks for taking my question. First set of questions is on Anazao. Maybe first, could you quantify the Semaglutide sales boost there? Is it fair to say that it would provide you with around 2% of organic growth on group level this year? Or is that exaggerated? And also, do these sales come with in line profitability or higher?

Karin de Jong: Yeah. Good morning, Stijn. So indeed, if we look at the Anazao sales for the third quarter, we see a growth of 43.9% and that is driven by a demand for preventive care, but also helped by the drug shortages you referred to.

If we take out that specific drug shortage for the third quarter, where we have a mid-teen percentage of sales growth, and that is still very good performance for the Anazao business. As you know, we do not comment on profitability for specific products within our portfolio.

Stijn Demeester: Okay. But that's helpful. Then on this topic again, what is your visibility into this tailwind continuing into next year? Should we pencil in the fall back once that Novo has its capacity issues in order? Or do you have good visibility that it could last for a bit longer, given that sort of Semaglutide is in high demand right now?

Karin de Jong: Yeah. As long as it is on the shortage list, of course, we are able to compound and serve the markets. It's for us not clear when it will be off the shortage list. So as long as it's on the list, we will benefit, but it's not sure whether that will still continue on into next year.

Stijn Demeester: Okay. What would be a fair assumption for us to take into account?

Karin de Jong: Yeah, that's difficult to say, Stijn.

Stijn Demeester: Okay. Then on FSS and the USD150 million run rate. Could you detail how much of this is on the account of Boston in terms of sort of order of magnitude? And what is the current state in terms of state licenses for Boston? Because I understand you made good progress here.

Karin de Jong: Yeah, I think, overall, we see very nice progress in FSS Boston as well as Wichita. So we see the growth sustaining with a run rate of USD150 million. As explained during H1, we've integrated the businesses of Wichita in Boston. So that means there's one sales team, there's one go-to-market strategy. So in H1, we combined the IT system, the quality system. And the objective is to leverage both sides as much as possible. That's the reason we don't disclose the separate run rate.

Looking at Boston specifically, we see very nice progress after the FDA audit in the first quarter and the additional licenses coming in. So we're now at 33, so we can sell into 33 different states, and we are onboarding new customers. And so we're in line with our planning to hit the breakeven for this semester.

Stijn Demeester: For Boston, that is?

Karin de Jong: For Boston, of course, yes.

Stijn Demeester: Okay. Yeah. And in terms of FSS demand, do you see there a notable impact from the recent quality issues at CAPS and Nephron? And yeah, also here, have you recently taken additional

measures to save your quality control as these two examples really highlight sort of the one-strike-and-you-are-out nature of this segment?

Rafael Padilla: Yes, good morning, Stijn. Yes, for sure. So as we discussed several times, we take measures. We also had the FDA on site if you recall in Wichita and Boston with successful audits. Just to be specific, at the quality assurance department in Wichita we have 29 people dedicated to guarantee the highest quality, and we have quality control and checks in all the steps.

On your first comment on the volumes, of course, we see an increased volume. We've seen increased demand because hospitals tend to outsource more and more. And also, we get more requests from customers, existing or new ones, when a player in the industry is having some difficulties there.

Stijn Demeester: Okay. A final question, if I may, on Poland. It's unclear to me if it's positive or negative. So could you elaborate a bit more on what is currently going on there?

Rafael Padilla: Sure, Stijn. So well, as we also explained in North and East European countries where we operate, government reimbursement systems are in place there, right? So it's how the goods are being paid. And naturally, there is an evolution there.

So the scope of the law is for the overall pharmaceutical market. And regarding compounding, we have been - as we said during the presentation - we have been invited for the commission that is going to take care of the implementation. And of course, we believe that we are well-positioned there due to our market leadership and we are confident for the mid-term.

Stijn Demeester: Okay. Thanks.

Rafael Padilla: Sure. Thank you, Stijn.

Operator: Thank you. And we're now moving on to our next question, which comes from Frank Claassen of Degroof Petercam. Please go ahead.

Frank Claassen (Degroof Petercam): Yes, good morning, all. I'll also ask them one by one my questions. First of all, on the Hungary acquisition. Could you elaborate - yeah, how big is it? And what kind of price did you pay? Does it fit in your normal range of multiples? Or could you elaborate on that, please?

Karin de Jong: Yeah, of course. Good morning, Frank. Indeed, we have an acquisition in an attractive Hungarian market. So it's a new market entrance for Fagron. So we're very happy to enter into that market. It's active in the Essentials market and it has some registrations of niche pharmaceuticals.

If we look at the acquisition price, it's a high single-digit amount. And if we look at the metrics or so the financial metrics, we see an annual revenue mid to high-single digits and an EBITDA margin which is around 10%.

Frank Claassen: Okay, that's clear. And then on EMEA, organic growth was, yeah, roughly 1% in Q3, but that also includes still some, let's say, price increases spilling over. So does that mean that volumes came down? And yeah, why did volumes come down in Q3? Could you elaborate on that, please?

Rafael Padilla: Yeah, sure. Frank, good morning. So as I said, we have seen a stable performance in Q3. And as I indicated, the pricing pass-through exercise is now completed, right, as we explained during the last call. So we have seen a strong Compounding Services performance of 19%, and this is mainly driven by the Netherlands, new introductions, new registrations, as we have indicated.

And the Brands & Essential segments, we have seen a decrease there during the quarter after a strong first semester. So despite the underlying demand being strong, right, because you see it back on the Compounding Services, that segment has a higher exposure to the short-term variables, supply chain,

macro, etc., right? So we have also seen during this Q3 that the holiday season has had a greater impact after the - well, with the post COVID normalization, right?

So when you take it with a nine-month optic, we are satisfied with how this evolved in the Brands & Essentials segment. And of course, we remain confident for Q4.

Frank Claassen: Okay. Sounds good. And then on the raw material prices. Do you already see them coming down? And do you have to pass these on? Or do you think you can keep some in your pockets of these benefits? Or yeah, what is the story there?

Rafael Padilla: Sure. That's a very good one, Frank, because as we also saw during COVID, when prices were going the opposite way, you need to see it, or we need to see it, per product categorization, right? So you see vitamins and amino acids much more volatile than the APIs, right? So you also see it now when prices go down. So we see those categories having more volatility than the other ones.

We need to say that - well, and you know that very well, Frank - we discussed many times on our One Global Fagron approach. Also within the purchase department that we are now as one global Fagron going to the market to source our materials, and this helps, right? So when you're saying, are we keeping something in the pocket or are we passing through to the market? It depends on each market.

So in cash market, so the B&E in the US or the B&E in Brazil, for example, we try to use these advantages to maintain or even gain market share. And in some other markets where you have a fixed contract, right, we have the benefit there.

Frank Claassen: Okay, thanks. And my final question on Brazil, the competition. Yeah, has the competitive situation eased? Or is it similar? Is it more the market which is recovering? Or is also do you see less competition?

Rafael Padilla: Yes, sure. So we see the same pattern we saw during the last quarter. So the competitive environment is heightened. So it's still the same. So when we explained that in the short-term, we wanted to maintain market share because we believe at that time that the market would recover and then we would benefit out of it. So it's now happening.

But also as you know Frank, in the meantime, we launched some operational excellence programs that start to pay off. We are not yet where we want to be, but it start paying off. And of course, as you remember, during the Consulfarma fair that always happens the first week in July, that is the biggest compounding fair in Brazil, right? So we launched some interesting new Brands that are also helping us there.

Frank Claassen: Okay, thank you very much.

Rafael Padilla: Thank you, Frank.

Karin de Jong: Thank you, Frank.

Operator: Thank you. And we're now moving on to our next question, which is coming from Matthias Maenhaut of Kepler Cheuvreux. Please go ahead.

Matthias Maenhaut (Kepler Cheuvreux): Yes, hello. Good morning. Couple of questions from my end. Maybe the first question is on the guidance. If you look at your sales guidance for €750 million to €770 million, the high end of that range seems to imply a very strong Q4. Is there like any specific additional positive surprise you are expecting or otherwise? What is - what would drive this very strong Q4 performance?

And then also maybe on the profitability guidance for this year. You mentioned a year-over-year increase in profitability. Would you think that, that will also be coupled with margin expansion? My first question.

Karin de Jong: Yeah. Good morning. So good to have you back. So on the sales guidance, we have given an expected sales between €750 million and €770 million. So on the low end of the guidance, it implies our previous guidance of high-single-digit growth and an opportunity to grow more on the upside.

So if we look at the different markets, I think starting with LatAm, we saw a nice recovery in the third quarter, and we expect that to continue in the fourth quarter. So we have nice visibility on that, and volumes are recovering in that market. So despite the fact that prices are not there yet, we do expect an improving demand to relieve that price pressure we feel in that market.

For US, US had a very, very good first six months and first nine months, and we also expect a continuation of that.

EMEA had a bit of a softer Q3, because of the reasons that Rafa described earlier. And for Q4, there are some uncertainties given the developments in Israel and Poland, but we're positive about the prospects in general for Fagron for the full year.

On the profitability side, we expect an increase in profitability year-on-year, and that also implies an improved margin.

Matthias Maenhaut: Okay. That's helpful. Thank you. And I have a couple of short follow-ups. Maybe on the Polish regulatory review, I would say. Could you maybe give us a timeline of what we when we have to expect any outcome or measures of this?

Rafael Padilla: Sure. So during this last quarter, Matthias - so good morning, first of all. During this first - the last quarter of the year, the commission will come together. And as said during the presentation, we are part of this commission. So – and in this commission, the implementation will be discussed, and then we will know more.

Matthias Maenhaut: Okay. Good. And then maybe on the - a follow-up on the Hungarian acquisition. Could you maybe speak a bit about the growth rate of this, I would say, market but also specifically the acquisition? And can you just remind me of the acquisition multiple? Because I think it was said, but I missed it.

Karin de Jong: Yeah. So Matthias, yeah, we'll combine it, Rafa and I. I will talk about the financials. So the acquisition price is high-single digits, Matthias. So we didn't disclose any multiple on that deal. If we look at the top line expectation of that market, it's a new market. So we see potential to grow by adding new products that we have in our product portfolio, introducing our Brands, our equipment, launching the Academy as we have in the other European markets. So we see a lot of potential in growing the top line.

Rafael Padilla: Sure. And regarding the market, Matthias, so when you have the small countries in population, of course, in Europe, like Czech Republic or Belgium, in this case, also Hungary, you see a higher compounding rate per capita, and that's the case in Hungary. So this is quite interesting for us. And also the - what we saw in this market. So Parma Produkt was owned by the Phoenix Group, the wholesaler, which you know very well. And here, we see how Phoenix also said that, okay, we are good in wholesaling. We stay in that part. And you guys, you are the global leader in pharmaceutical compounding. So it makes sense, logical sense, that you will take Parma Produkt and you bring it to the next level. So that was something that we liked also in this new market where we're entering.

Matthias Maenhaut: Okay. Thank you. Maybe last question from my end. I understood still price impact in LatAm and Brazilian markets, specifically. Could you maybe elaborate a little bit on price/volume split. And if you see that market reverting back to high-single-digit volume growth, if it's not yet already?

Karin de Jong: Yeah. So maybe indeed, overall, for Fagron as a whole, we see a healthy mix of price and volume. If we look into LatAm, we experience nice volume growth. So market is really growing again, but

still compensated partly by price decreases. We do expect an improving demand to relieve those price pressure, but it's too early to quantify the impact of that, Matthias.

Matthias Maenhaut: Okay, good. Thank you very much for the answers.

Rafael Padilla: Thanks, Matthias.

Operator: Thank you. And up next, we have Thomas Vranken of KBC Securities. Please go ahead.

Thomas Vranken (KBC Securities): Good morning, and thanks for taking my question. And also congratulations on a nice quarter, especially in North America. I just wanted to follow up on a question that was asked earlier with regards to Brands & Essentials in EMEA. You mentioned there that the revenue has softened. I just wanted to ask - to which extent do you see that limited in time? And what exactly makes you confident about the long-term resilience of the business there?

Rafael Padilla: Sure, Thomas, and also good morning. So we see this as a temporary momentum because the Compounding Services and the Brands & Essentials always work hand-in-hand, right? So as you know, we are fully vertically integrated in some countries in Europe, for example, the Netherlands. So you see when there is traction on the Compounding Services, that is more, of course, patient specific one-to-one. You will see it later on in the Brands & Essentials that, of course, has higher exposure to short-term variables.

Thomas Vranken: Okay. Thank you.

Operator: Thank you. And we're moving on to Vasia Kotlida of Berenberg. Please go ahead.

Vasia Kotlida (Berenberg): Hi. Good morning, and congratulations on the results. So two questions. The first one on the M&A front. You've mentioned in the past that valuations were still high. How is the environment evolving? So what are the opportunities out there and especially in which markets are you looking at?

And the second question is many companies in the pharma space are facing destocking pressures from their clients. Do you see where you have approach like this too and that we will see demand coming in from Q1 2024? And are you affected by that? Thank you.

Karin de Jong: Yeah. So thank you for your question. On M&A, we're looking at opportunities in all the regions that we are active in. We did two this year and a licensing deal, and we are planning to continue on doing acquisitions. What we see on pricing levels, indeed what we said earlier this year is that there is some pressure on pricing and on multiples. So we have a disciplined approach. So we need to see enough synergies and enough potential to do the acquisition.

I have to say with the Hungarian one, we did a new market entry, and we see sufficient synergies going forward. And there are a couple of other ones in the pipeline. So we intend to do acquisitions in the next couple of quarters. Of course, timing is sometimes difficult to estimate. But we're positive about the pipeline we are having and the pricing development on that.

Rafael Padilla: Yes. And good morning, Vasia. Regarding your second question, of course, what - for us is very important to measure and monitor is the Compounding Services trend and growth. So as you have seen in the first nine months, we have grown globally around 34%. So this means that the Brands & Essentials, right, the raw materials that are being used to compound these items, these products will follow subsequently, maybe not in the first step, but then in the second one, right?

So as we also explained, this segment has more exposure - has a higher exposure to those short-term variables. So it's something that we're monitoring close. But again, for us, the Compounding Services segment really sets the trend of the industry.

Vasia Kotlida: Thank you.

Rafael Padilla: Thanks, Vasia.

Operator: Thank you. And our next question comes from Eric Wilmer of Kempen. Please go ahead.

Eric Wilmer (Kempen): Hi. Good morning, everyone. Still a few questions left. I'll ask them one by one. I still want to press a little bit more on the EMEA Essentials business. Earlier this week, there was a massive products warning from a European API supplier following destocking and clients requesting price decreases. Is there any relationship with your, let's say, somewhat softer performance in EMEA? And is there a general market destocking happening in European APIs specifically? So specifically talking about APIs. Thank you.

Rafael Padilla: Yes. Thanks, and good morning, Eric. And well, when you look at the nine months, first of all, performance, you see the first two quarters being strong for Europe and this segment in particular. And then the last quarter, what we have seen is that during this holiday season, specifically in 2023, we have seen a higher impact after the COVID, so post-COVID normalization, right?

So we have seen it across some European countries. And specifically on how our customers operate because, of course, we have our Compounding Services activities. And here, we see the trend that is growing from our patients when it's direct to patient or when it's B2B hospital pharmacies or pharmacies.

When you look at the raw materials in a hospital pharmacy or in a compounding or community pharmacy, the volumes that they stock are lower, right? So you can imagine a pharmacy having their compounding place, they're a laboratory, right, and the place where they stock the materials is somehow limited, right? So therefore, you see some more variability for sure, but not something that you could see a higher impact on the trend that you were asking.

Eric Wilmer: Okay. That's very helpful. Thanks very much for that. Then also a question on the reimbursement or the potential reimbursement changes in Poland. I think this - I believe this is a relatively profitable market for you. You mentioned to be confident on the medium term. I was actually mainly interested in the wording or the choice of wording medium term that - I mean, obviously, there are some years in between. So why specifically the choice for the word medium term?

Karin de Jong: Yeah. So good morning, Eric. So on Poland, at this point in time, it's difficult to assess the quantum of the impact, right? So if we look at short-term impacts, there can be an impact that customers are a bit more careful due to the uncertainty in the market to order. So that's related, and that's going to have a short-term impact. That's not something we see at this point. So in the short term in the next quarters, it can result in some uncertainties. However, we are positive about the mid to long-term impact due to the reasons that Rafa described earlier.

Eric Wilmer: Okay. That's also very helpful. Thanks very much, Karin. And then another question also about the Hungarian acquisition. So what are your plans in terms of cross-selling in this country following the acquisition? And what is your target to bring the margin in line with EMEA? So by when should we expect that?

Rafael Padilla: So as Karin was explaining before, Parma Produkt, they have the product range based on Essentials, first of all, and some niche pharmaceuticals. So for us is very interesting the fact that they have a very good local footprint, as we were explaining before. They were part of the Phoenix Group, so we can understand that the reach is high in the Hungarian market. They are market leader. So what we are going to do in our integration plan is to introduce, first of all, the Brands. So this is what we do in all the countries where we're entering in all the new markets, and this really pays off because when you bring also the revenues in the percentage when you take the average of the region, so you can see the nice impact that

can have in our figures, but also in the dynamics of the market because, remember, Eric, we said before that it has a high compounding per capita rate. So that's attractive for us.

Karin de Jong: Yeah. And we expect to get it to a group average within two years.

Eric Wilmer: Okay. And then my last question. Could you remind us of the - roughly the size of the Israelian market, just a range at Group level?

Karin de Jong: Yeah. So Israel is one of the smaller markets in EMEA and the sales is below 5% of the sales of EMEA.

Eric Wilmer: Okay. Thank you very much.

Karin de Jong: Thank you.

Operator: Thank you. And as a brief reminder, that is star one for your question today. And we have a follow-up from Stijn Demeester of ING. Please go ahead.

Stijn Demeester: Yes, thank you. Also a follow-up on Poland. Can you remind me of the sales and margin profile of this country? It has been a while since you provided a country split, I think from 2016. It will be nice to have an update. And as Eric said, I believe it's a profitable market. So any sort of indication on margins you're running there would also be helpful.

Karin de Jong: Yeah. So Stijn, if we look at Poland, Poland is one of the bigger companies in EMEA with a profitability level that's above the average of Fagron. The actual numbers we don't disclose on a country level for the European region, Stijn.

Stijn Demeester: And would the 2016, be helpful in sort of assuming that sort of Poland has grown in line with EMEA because there have been some other acquisitions, obviously.

Karin de Jong: Yes.

Stijn Demeester: Okay. So 2016 could use it as a guide?

Karin de Jong: You could do as a rough guidance.

Stijn Demeester: Okay. Thanks.

Operator: Thank you. And we also have a follow-up from Matthias Maenhaut of Kepler Cheuvreux. Please go ahead.

Matthias Maenhaut: Yes. Thank you. I had a follow-up question on the Boston facility. You're guiding for breakeven by the end of this year. How should we think about longer-term profitability expectations in terms of margins, but also maybe in terms of sales of this business?

Karin de Jong: Yeah. So if we look at FSS Boston, of course, our first focus was to get this company breakeven and to integrate it into Wichita and have to have sufficient capacity to grow over the short-term. So we're on track in doing that. For the longer term, we see overall for North America, a growth rate of mid-teens. And so - and a profitability, of course, benefiting from the additional volume and the leverage we see today, so an increasing profitability.

Matthias Maenhaut: Okay. Thank you.

Operator: Thank you. As there are no further questions at this time, I'd like to hand the call back over for any additional or closing remarks.

Karen Berg: Thank you, everyone, for your questions and your time. We look forward to welcoming you again in February when we present our full year results. Have a great day.

Operator: Thank you. Ladies and gentlemen, that concludes today's call. You may now disconnect.