



FY 2023 Results

Thursday, 15 February 2024

Fagron FY 2023 Results

Operator: Good day and welcome to Fagron's full year results 2023 conference call. Today's call is being recorded. At this time, I'll turn the call over to Karen Berg. Please go ahead.

Karen Berg: Thank you, and good morning, everyone. Welcome to the full year 2023 results webcast of Fagron. I'm here together with to our CEO, Rafael Padilla, who will discuss the results and do a deep dive into the regions' performance, and then our CFO, Karin de Jong, will go through the financials. Afterwards there is, as always, room for questions.

So with that, I would like to hand over to Rafael.

Rafael Padilla: Thanks, Karen, and good morning, everyone. We are very pleased with the 2023 results as we achieve 10.5% organic revenue growth reaching €763 million. This growth has been supported by all our regions, with the Compounding Services division in North America the largest contributor. Our REBITDA margin for the year ended at 19.5%, demonstrating our operational excellence efforts and strong M&A integration benefits from both Boston and Letco. Also, in line with our disciplined M&A strategy, we are pleased to announce the acquisition of the London Specialty Pharmacy (LSP) in the United Kingdom, which will give us the platform to enter attractive cash compounding market in the UK. Additionally, in January, we closed the acquisition of Parma Produkt in Hungary, as we continue to diversify our footprint across the EMEA region.

Regarding ESG, we remain committed to our targets, as we continue to make substantial progress. And lastly, we have proposed a dividend of €0.30 per share, representing a year-on-year increase of 20%.

Moving on to the regional dynamics. In EMEA, on the B&E side, we continue to see strong underlying demand, showcasing the effectiveness of our diversified business approach. Within B&E, Poland was impacted by the local reimbursement reforms in the last quarter of '23. And looking ahead, we have a strategic action plan in motion, which we will discuss on the next slide.

Our Compounding Services segment demonstrated impressive organic growth of 10.6%, driven by our excellent performance in the Netherlands. And as mentioned before, we acquired LSP in the UK, a leading compounding business focused on health and wellness with high-digit revenue and EBITDA margins at Fagron levels.

Moving to the next slide on Poland, at the Q3 conference call, we updated on the changes of the laws passed by the Polish Parliament for the overall pharmaceutical market regarding the reimbursement system, specifically around new pricing being implemented at the end of '23.

As a result, market activity slowed in anticipation of these price changes. And at the start of this year, we are pleased with the order intake and consequent volumes as we continue to execute on our strategic plan which includes contributing insights to the government in different working groups, enhance partnerships efforts with medical professionals, pharmacists and prescribers through the Fagron Academy, increased direct sales resulting in new customer acquisitions, launch of new products and services at Fagron Lab and Tech, and lastly, but most importantly, we monitor customer order trends to adjust our product mix.

All these factors, together with our leading market position and underlying dynamics give us confidence in our ability to navigate through it over the midterm.

Moving into LatAm. Last year, we made the strategic decision to maintain our market leadership while facing competitive pressures in Brazil, and now we see the benefits as customer demand is increasing again. We have successfully leveraged this momentum through strategic product launches, operational efficiencies, and an enhanced commercial approach. As a result of these efforts, our Brands revenue share has shown remarkable expansion of 250 basis points.

Finally, Colombia has delivered strong results driven by new customer acquisitions and up-selling to existing ones, while Mexico remains a promising market with significant growth opportunities.

Moving into North America. As we all know, this is the largest and fastest-growing compounding market in the world. In North America, we are positioning ourselves to capture the demand while maintaining the highest quality standards.

In the B&E segment, we are pleased with the gradual recovery, and we are strategically positioning the business for strong growth, with a successful integration of Letco.

Moving to Compounding Services, FSS achieved remarkable results, reaching a run-rate of almost \$165 million. The underlying demand remains very strong, and our results highlight that we are well-positioned to capitalize on it. Boston had an impressive year as we achieved breakeven as expected, and we can now deliver in 40 states including New York.

Finally, coming to our health and wellness division, Anazao. We also continued the impressive growth rate driven by rising demand in prevention and lifestyle treatments, while also benefiting from temporary drug shortages.

Moving to the next slide. We are a global player, operating in more than 30 countries with more than 30 facilities that are being continuously audited. In the last couple of years, we have not only seen an increase in the regulatory scrutiny but have also seen regulation evolving at a faster pace across all our markets.

We work proactively with more than 75 regulatory bodies, making it our strength to navigate through this constantly changing environment. In 2023, there have been 12 audits by national regulatory bodies to our facilities. These have been successful with minor observations and no warning letters.

Regarding our St Paul's facility, we are progressing as planned, and we expect to conclude the decommissioning at Q1.

Finally, to reiterate, quality remains our key competitive strength, and we continue to invest in it by building state-of-the-art facilities, increased automation and quality assurance and control efforts.

To conclude on the next slide, we would like to share our progress on the ESG targets as it remains our key strategic pillar. In 2023, our science-based targets for absolute emission reduction were approved. We also progressed by improving our internal and external impact by increasing healthcare access and keeping high focus on employee code of conduct and ethics.

And now, Karin will go through the financial highlights analysis.

Karin de Jong: Thank you, Rafael.

So good morning and thank you all for joining this call. I would like to walk you through the full year 2023 financials and provide some color on the full year 2024 outlook.

The first slide lists our financial highlights for the year. In 2023, sales increased by 11.6% to €763 million, with North America delivering the strongest reported growth of 26%. This growth was accompanied by a gross margin increase of 160 base points, driven by price increases particularly notable in H1 in EMEA, as well as operational and product mix enhancements in LatAm and North America.

Operating expenses rose by 14.5%, primarily attributed to investments in the North America labor force to support market growth, compounded by weight inflation across all regions. Nonetheless, overall recurring EBITDA saw a substantial increase of 13.9% to €149 million, with a REBITDA margin expanding by 40 basis points compared to the previous year. This boost in profitability due to the North America was a direct result of synergies post-acquisition and increased volume. As guided, the Boston facility achieved breakeven in H2 2023.

Earnings per share saw a modest 1% increase, reaching €0.97 per share. Strong cash flow conversion underscored the robust cash generating capabilities of our company, with operating cash flow improving by 13.9% to €124.6 million. Additionally, our net debt/EBITDA ratio benefited from strong cash conversion, decreasing to 1.4x EBITDA, thus providing ample headroom for future acquisitions.

The bridge on the next slide illustrates the sales development in 2023. EMEA experienced modest organic growth at CER of 2.2%, primarily driven by a softer performance in the second half of the year. Meanwhile, North America saw an impressive increase of 25.5%, driven by the positive developments in the Compounding Services segment, while LatAm exhibited a 2.3% increase indicating a quarter-on-quarter improvement. Acquisitions contributed €14.5 million to sales growth, led by the Boston acquisition and several smaller acquisitions.

The P&L on the other side of the slide showcases a topline growth of 11.6% and a positive increase of 13.9% in EBITDA before non-recurring items. It's worth noting that the non-recurring benefit in 2022 was related to goodwill on the FSS Boston acquisition.

Depreciation and amortization are on the rise due to the acquisitions, the investments in Poland, the distribution center in Brazil, registration, and various other investments in North America.

The financial costs have increased, primarily due to the negative impact of the valuation of the US dollar interest hedge, resulting in a non-cash item cost of €3.7 million. It's important to remember that last year this figure was a gain of €4.8 million. Additionally, the rest of the increase in financial cost is due to higher interest rates on our debt and debt-like items.

The effective tax rate stood at 15.9%, benefiting from the profitability in North America, resulting in a 1.4% increase in net profit and earnings per share of €0.97.

Turning to the next slide, in the EMEA region, we observe underlying organic growth supported by Compounding Services, resulting in reported growth of 3.1% and organic growth at CER of 2.2%. Q4 sales and profitability were impacted by the anticipated changes in reimbursement levels in Poland, leading to a drop in volume. Compounding Services experienced a strong year with 10.6% sales growth, driven by the positive developments in all markets. We saw a slowdown in Q4 with 1% growth following a strong third quarter where sales increased by 18.9%. We remain confident about the prospects of this segment and future opportunities.

Overall, profitability increased by 1% to €61.1 million for the year. It's important to note we did not adjust our cost base due to the uncertainty in the Polish market in order to support the execution of our strategic action as discussed earlier.

Additionally, we are pleased to announce the closure of deals in Hungary and the acquisition of LSP in the UK. These acquisitions align with our diversification strategy in EMEA and offer upside opportunities.

Turning to the next slide on Latin America, sales increased by 4.2% to €169.2 million or 2.3% at CER. In 2023, we witnessed a market recovery driven by strengthening of customer demand. The resulted volume growth was partly offset by a slight decrease in Essentials revenue, reflecting our effort to maintain market leadership. Overall, Essential's decline of 1.3% in Q4 was compensated by positive developments in the Brands segment, which grew by 18.8%. Compounding Services continued to perform well, with an overall growth of 30.8% year-on-year.

In line with our expectation, the margin in the second half of the year improved to 17.3% compared to 15.7% in the first half, reflecting the result of previous actions taken in combination with the historic seasonality encountered in LatAm. Looking ahead, we expect margins will further improve due to a strong innovation strategy and improved operational leverage.

Moving to the next slide on North America, sales reached €308.9 million, making a significant increase of 26%. B&E continued its recovery quarter-on-quarter following the completed consolidation of the repackaging facility in Letco. Despite experiencing an overall decline of 5.2% for the full year, we observed a continuous improvement quarter-on-quarter in 2023, reporting 0.5% growth in the fourth quarter.

Compounding Services demonstrated outstanding performance, particularly in our sterile outsourcing business and Anazao, with overall sales growing by 43.8%. FSS experienced remarkable growth of 53.8% attributed to increasing orders from existing customers, new order wins and drug shortages. Notably, the Boston facility reached breakeven level during H2 2023 with a combined run-rate of almost \$165 million. Anazao also saw substantial growth of 32.2% driven by increased demand for personalized medicine and drug shortages.

Profitability increased by 260 base points to 19.4%, driven by synergies from acquisition and strong market demands.

For full year 2024, we expect North America's margin to see a slight increase year-on-year, mainly reflecting US FSS and B&E to continue their improvement, which will be partly offset as we will see some double costs running at Anazao at Tampa while we complete the transfer to the new facility.

An important element of our business model is strong cash conversion. Working capital benefited from an improved collection at the end of 2023 and robust inventory management in North America. As a result, operational cash flow in 2023 amounted to €124.6 million, representing an increase of 13.9%. The factoring amount stood at €36 million, compared to €36.8 million by the end of 2022. We anticipate reducing the factoring amount with a minimum of around 50%, which will have an impact of approximately 250 basis points on our guidance of 10-11%. This reduction will increase our receivables but decrease the overall debt level, thereby reducing interest costs and banking fees.

Total CAPEX amounted to €38.5 million, within the guided range of 3.0-3.5% of sales, excluding registrations and North America investments. For the \$18 million investment in Tampa, we paid approximately two-thirds of the investment amount while the remainder allocated to the registrations in Benelux, announced earlier. Limited funds were spent on the investment in the B&E segment as we await some local permits.

The free cash flow totaled €86.2 million, excluding one-offs, it reached €101.5 million, representing an increase of 11.6%.

Moving to the next slide, this bridge illustrates the net debt development in 2023, transitioning from €274 million at the end of full year 2022 to €233.7 million at the end of 2023. Throughout 2023, we observed a further strengthening of the balance sheet, with the net debt/EBITDA ratio improving to 1.4x compared to 1.9x at the end of previous year. This ratio, which includes adjustments such as the annualization of acquisition and IFRS 16 adjustment, reflects our commitment to financial prudence and stability.

Looking ahead to 2024, we will continue our disciplined M&A strategy while considering our internal threshold net debt/EBITDA ratio of 2.8x. With strong deleveraging capabilities driving our approach, we remain focused on maintaining a healthy balance sheet and pursuing strategic growth opportunities.

Before I hand it back to Rafael, let me guide you through our full year 2024 outlook. We anticipate a high-single digit organic growth in sales, with each region exhibiting its own dynamics. Furthermore, we expect profitability margin to increase year-on-year, with EMEA to be at a similar level, while we expect an increase in LatAm and North America.

Maintenance CAPEX will align with the guidance of 3.0-3.5% of sales, excluding the previously announced investments in the US. The one-off investment in Tampa is on track and will be finalized in 2024.

Regarding long-term working capital guidance, we previously aimed for around 10-11% including the same level of factoring. We plan to increase this guidance to 12.5-13.5% as we aim to reduce factoring debt by a minimum of 50% in the next two years. This strategic move will decrease our debt position and reduce financing cost.

I would now like to hand over back to Rafael for his concluding remarks.

Rafael Padilla: Thanks, Karin.

Fagron is a global, vertically integrated, niche, defensive, high-cash generating company, operating in a highly fragmented market. Our resilient business model is fortified by a diverse geographic footprint and these factors, coupled with demographic trends and our emphasis on personalization, are the basis of our success. Our quality focus, together with our ongoing operational excellence initiatives will help optimize our business through global synergies and best practices, while a disciplined M&A strategy remains a key part of our growth. Sustainability is our paramount priority and a strategic cornerstone for us, as together we create the future of personalizing medicine.

With that, we open now the floor for questions. Thank you, all.

Questions and Answers

Operator: Ladies and gentlemen. If you like to ask a question, please press star one on your telephone keypad. If you change your mind and wish to withdraw your question, please press star two. Please ensure your lines are unmuted locally, as you will be advised when to ask your questions. We'll pause for just a moment to allow everyone an opportunity to signal for questions.

We will take our first question from Frank Claassen, Degroof Petercam. Your line is open. Please go ahead.

Frank Claassen (Degroof Petercam): Yes. Good morning, all. Frank Claassen of Petercam. Three questions, please. First of all, on AnazaoHealth and the impact of the drug shortages, the Semaglutide. Can you elaborate how much AnazaoHealth grew in '23, and how much of this growth was driven by the drug shortages, and how long it can be sustained? So that's the first one.

Then the second one on pricing and raw materials. What do you see – what is the dynamic on the raw materials? Do you see the raw materials coming down? And can you keep pricing or increase prices? So what is there, the dynamic?

And thirdly, on the two acquisitions, can you repeat and elaborate on how much revenues did they contribute and what kind of margins, and what are the synergies, and what is your, let's say, strategic rationale to do this acquisition? Can you repeat that again? Thank you.

Karin de Jong: Yes, good morning, Frank. To start with your first question on Anazao. Indeed, we benefited again from the drug shortages in combination with the underlying market growing and developing well. So if we look at specific, at the shortages in the market, we had a benefit of 2023 on sales, which is an amount of low-teens. If we exclude that amount from the sales, we would end up at a mid-teens growth level for Anazao. Still a healthy development for that business. If we look at 2024, of course, it's very uncertain how long this will take, as we're not in control of that. However, we anticipate that we will have benefit from that in the first two quarters of 2024, and that's also reflected in the guidance we have given.

Rafael Padilla: Good morning, Frank. Let's take the second question on the pricing of the raw materials. As we have said during the call, operational excellence unlocks value for us. Right. So we are making some organizational improvements that support efficiency gains, and also, we are centralizing the procurement, and these will drive improvements. Having said that, what we see is that at origin, prices are stabilizing. We have said this in the last call as well. And when we go to the market, specifically on your question, when we

go to the market in EMEA, for example, we see that on our contracts we have this renewal on 12-18 months, as we were explaining in the previous calls, remember, and in cash markets, as the US and Brazil, we go with the market trends. So when they stabilize, and as said before, we take the efficiency gains that our operational excellence programs unlock, we feel confident on the pricing of the raw materials.

Karin de Jong: Finally, on the Group –

Frank Claassen: But do you still see room – sorry to interrupt - but do you still see room to increase prices or is it more flattish going into '24?

Rafael Padilla: Again, in '24, when you look at EMEA, we need to respect the contractual basis of the contracts that are renewed every 12-18 months. Here there is an inflation built in. So now, as you see, inflation is also stabilizing. And on cash markets like the US, and in LatAm, you follow more the trends of the market, the dynamics in the market.

Frank Claassen: Okay, clear. And the acquisitions?

Karin de Jong: Yeah. And then on acquisitions. So coming back, we indeed announced two acquisitions, one in Hungary and one in the UK. We believe that these acquisitions will diversify our sales contribution in EMEA more and offer potential in growth on sales and profitability. So if we go to the Hungary one, which we announced already earlier last year, so this is – we acquired this from a wholesaler. We believe that Hungary is a very attractive mark and offers opportunities for top-line growth. It's active in Essentials, and they have a couple of registrations, so they have a mid to high-single digit amount in revenue and a profitability that's around 10%. And if we look at the acquisition price for that acquisition, it was high-single digit. The upside, we expect that we could bring the company towards group level EBITDA margins in around 24 months. So that's on the Hungary one.

And then we announced a new one, LSP, in the United Kingdom. That's a pharmacy specialized in personalized medication, mainly non-reimbursed. So the focus is on hormone treatments, hair treatments, dermatological solutions, pain medication. This is non-reimbursed by the NHS, and it serves clinics, hospitals and also goes direct to patients. The synergies that we see in this business are more related to the use of our raw materials and Brands in the compounding products. If we look at the numbers, so the historic numbers are a mid to high-single digit amount of sales in British pounds, and a profit margin that's around group average. The acquisition price is a low mid-teens amount.

Frank Claassen: Okay. That's all very helpful. Thank you very much.

Karin de Jong: Thank you, Frank.

Rafael Padilla: Thanks a lot, Frank.

Operator: We will take our next question from Matthias Maenhaut from Kepler. Your line is open. Please go ahead.

Matthias Maenhaut (Kepler Cheuvreux): Yeah, hello. Good morning. Congratulations with the results. Two questions from my end, actually, both on results and to get a better grasp on the guidance. If I am not mistaken, I understood that you're aiming to be for 2024 EMEA REBITDA margin flat versus 2023. However, if I look at H2 developments, it's down 250 basis points year-over-year, and I think 250 also in H2 versus H1. So, could you give us a little bit more grasp on how you see the phasing of the margin of EMEA throughout the year? Is this another significant decrease in H1 and then an uptick in H2? What will drive this? And then thirdly, maybe, can you elaborate a little bit on Polish profitability as it stood in Q4? And how big was the sales decrease, and what are you baking in for next year? That's on EMEA.

And then on North America, I just wanted to get a better understanding under the profitability of Semaglutide. It's a branded – it's a patented product which sells at, I would say, significantly higher ASPs

than I would imagine your rest of your portfolio. So why would the gross margin of this product be in line with the rest of your products? That are my two questions. Thank you.

Karin de Jong: Yeah. Good morning, Matthias. Maybe to start on the first one, on the Polish impact. So, indeed, if you look at Q4, we experienced declines in the sales running up to the changes in the Polish reimbursement system. The sales decline had a direct negative impact on the sales growth of the Brands and Essentials in Q4 in EMEA. So there was a decline on that level. If we normalize for Poland, we have – we should have seen a growth in that region. The loss of these high gross margin products impacted the profitability for the region, as we didn't adjust any cost in 2023 yet, moving into 2024 and also seeing how the market would evolve based on the anticipated changes in that market. So the impact of Q4 on the profitability, in combination with a slow Q3, had an impact on our profitability. And that's what you see translated in the profitability margin for the region in H2.

As we go into 2024, we saw low volumes in Q4, but heading into 2024, we had a pleasant start of the year with trends towards larger-sized products and initial signs of volumes recovering with trends towards selling those larger-sized products. We expect a margin recovery in 2024 moving throughout the year. So towards full year 2023 level throughout the year, as we roll out all the strategic actions, so it remains an uncertain situation. We believe that we have taken the right strategic actions currently, as Rafael already described in the presentation earlier. So we are positive about the outcome of that, but we assess the situation as it goes along, as you know, we are just heading into 2024. So overall, we expect a growth for the EMEA region in general for full year, and a profitability margin that moves throughout the year towards a level of full year 2023.

Then secondly, on the Semaglutide margin of the product, indeed, we have a good contribution on that. As you can imagine, we will not disclose the separate margin of products that we sell. Just remember that it's a compounded product in a 503A facility. So it's not made in bulk, it's made on a script basis for a specific patient. So despite the fact that it has a nice contribution, it's not over-adding value to the growth in the US market in general.

Matthias Maenhaut: Okay, thank you. Maybe just as a follow-up, I actually have two. Poland, your strategic actions. I understood correctly, there's not yet any cost savings measures you've put in place. Would you like – would you be able to give a magnitude of potential savings there that you would see at this point in time? And then –

Karin de Jong: I think that – yeah? Sorry, continue.

Matthias Maenhaut: Yeah, sorry, we have a bit of a background noise here. And then secondly, I was – my second question was actually on Semaglutide. If you speak about the profitability, if you give an idea of, you say that it's on a prescription basis, so effectively, you say labor is one of the drivers of the margins being not substantially above average. Could you maybe elaborate on this production process? How many syringes you make an hour per employee? Is that an information you would be willing to give?

Karin de Jong: Maybe to start on the first one, on the Polish situation. So, last year, we didn't adjust our cost basis. We wanted to see how the market would evolve. I believe we've taken the right strategic actions, as Rafael described for that market, and we continuously assess the situation. If additional measures are needed, so if we need to do additional cost-cutting, then we would, of course, do that during the course of the year. However, currently we believe that the measures we have taken are sufficient, and we don't need additional cost savings.

Rafael Padilla: Right. And good morning, Matthias. Regarding the process of a 503A or a patient-specific script, you can take this in the US, but also in the rest of the world. Right? So you can imagine that the preparation comes into the pharmacy, into a compounding center, right? Then the pharmacists check at it. And when it's correct, it goes through the – to the operating rooms, right, through the clean rooms. Then the

operator takes the product, the raw materials, makes the preparation, right, depending whether it is a solution, a cream, an ointment. And then it comes with the filling, labelling and get it off the clean room and then sending the product to the customer, right? So you can imagine more or less this process, how it goes and how long it takes to fill in one prescription, to prepare it first, of course. And then going into the customer.

Matthias Maenhaut: Now, okay. May I just ask your ASP, is that in line with the ASP of the average selling price of the products in the market, or do you sell at a big discount to this selling price?

Rafael Padilla: No, it's in line with the market, Matthias.

Matthias Maenhaut: Okay, thank you. They were my questions. Thanks.

Rafael Padilla: Yeah. Thanks a lot, Matthias.

Operator: Once again, ladies and gentlemen, please press star one on your telephone keypad to ask for a question. We'll take our next question from Steen Stijn Demeester from ING. Your line is open. Please go ahead.

Stijn Demeester (ING): Yes, good morning. Thanks for taking my questions. I have two follow-ups. Might have missed it, but what is the absolute amount of factoring at year-end? That's the first one. And then on the FSS run-rate of €165 million, is it measured on a quarterly basis? Monthly basis? Because you only specify at year-end. It would be helpful to get maybe an idea on what basis that is measured?

Karin de Jong: Yeah. So maybe to start. Good morning. So, factoring was around €37 million. That's around the same amount that we had last year. And we anticipate by decreasing that amount, so that will reduce our debt, but brings our working capital up. It has to do with the cost we pay for that. So that's on factoring.

Rafael Padilla: Right. And good morning, Stijn. On regarding the FSS run-rate, we take the same methodology as we always did. We take the last part of the quarter.

Stijn Demeester: So that's one-and-a-half months then?

Rafael Padilla: Yeah, two months. Correct. Last two months.

Stijn Demeester: And on the – maybe on the factoring, you want to reduce it by 50% if I'm right?

Karin de Jong: Yeah, correct.

Stijn Demeester: Okay. All right. Okay, thank you.

Karin de Jong: Thanks.

Operator: We will take our next question from Thomas Vranken from KBC securities. Your line is open. Please go ahead.

Thomas Vranken (KBC Securities): Good morning, and thanks for taking my questions as well. Two from my side. I think the first one is on North America. And there looking at the REBITDA margins, they have jumped up quite significantly, also in H2, again. I just wanted to see with regards to that, you mentioned that Letco and Boston sites are continuously or further being integrated. Do you still expect to see significant gains from that in the course of 2024?

And the second question would be on the EMEA market there. I just wanted to have bit more granularity on your view with regards to the UK compounding market, given that you have entered there as well. How do you perceive that market vis-a-vis other European countries? Thank you.

Karin de Jong: Yeah, good morning, Thomas. So, maybe to start with the first question on North America profitability. We saw benefits in H2, indeed increasing our profitability to 20.4%. Going into 2024, we see

positive developments. We expect an improvement in the B&E as they continued their quarter-on-quarter improvement as of 2023. So we see upside there. In combination with FSS, they had, of course, outstanding results in 2023, and we expect a continuation of that. Boston increasing the number of licenses again, so offering additional opportunity, and FSS in Wichita again benefiting from an increased demand in that market. However, on the other side, we also see that we have some tailwind from the drug shortages at Anazao, as we described previously. It's uncertain how long that will continue into 2024, in combination with the fact that we are transferring to the new site in Tampa. So that's the 503A facility we built for Anazao. We will transfer to that new location during 2024, and that will mean that we have some double cost if we are waiting for the new registrations from the states to come in. So that has an impact. Overall, we're positive about 2024 profitability, and we do expect an increase if we compare that to full year 2023.

Rafael Padilla: Hello. Good morning, Thomas. And your question is a very good one. Right. Because when you look at the EMEA landscape, we have always explained that compounding per capita in smaller countries like Belgium or Hungary, in this case Czech Republic, is high. Right. And in bigger countries, like in this case, UK, France, or Italy, it's a bit lower. So, looking specifically at the UK market, the traditional compounding, it's called there, the specials, is the market that is there, it's stable, it has some growth. With LSP, we enter into the health and wellness, the prevention and lifestyle market that we see that is growing at a faster pace because it would be more or less like the US or the Brazilian market, where personalization and lifestyle, and healthy ageing is an underlying driver, as, of course, there is an increased ageing in population.

Having said that, LSP is the leading compounding pharmacy in the UK, situated in London, with high-quality standards. And of course, as you know, we are vertically integrated, so we will leverage our raw material pricing, first of all. Second, the innovations also with our Brands. So we have now a channel to introduce this one and use LSP go-to-market and prescribers approach also with the academy that they have locally, right? And this will enhance the growth that the underlying market has because again, there is a strong trend on prevention and lifestyle in the UK market, as we see in North America or in Brazil.

Thomas Vranken: Okay, thank you. That's very clear.

Operator: Last reminder, ladies and gentlemen, please press star one on your telephone keypad to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions. We have no further question on the line, and I would like to turn the call back over to the speaker for additional or closing remarks.

Karen Berg: Thank you all for joining this webcast on our full year results. I hope you have a great day and looking forward to see you at our Q1 results in April. Thank you.