

Analyst call_ 6M 2024 financial results Colt CZ Group SE

Good morning, ladies and gentlemen.

Welcome at the analyst Conference call in connection with publication of six months 2024 Financial results of Colt CZ Group and the half year report for the year 2024, which were released this morning and are also available on the website.

Before we start, I just want to say one thing.

Most people presenting today are in the management meeting which is held in France in the premises of EGCZ Academy, our indoor shooting range.

So, I hope the connection will be good.

I'd like to ask you to stay muted during the call.

And please note that the call is being recorded.

And now I will hand it over to Jan Drahota to start a presentation.

Jan Drahota:

Thank you very much.

Good morning, everyone.

The logic of the presentation will be that I will guide you through it. And then we have actually the four out of six members of the board present, meaning myself, Dennis Jan Zajíc and Radek Musil. And so would you have any questions, please don't hesitate to add them at the end. So, let's go for the presentation.

So, first of all, what is important to say that obviously H1 of this year was a record one for our group and Q2 was also a record one. So really, really encouraging results.

As far as revenues are concerned, we grew by more than 41% to CZK 9.7 billion adjusted EBITDA slightly more than 35% to CZK 1.98 billion, adj. profit slightly down to CZK 1,015 bn for the six months and EPS as well down to CZK 25 per share.

So obviously record here for the group and also all the results are well above half your guidance above the upper range of the of your guidance which we gave you.

If you go to the next slide, please here are some critical information or some notable events as we call it for the first six months.

First of all, we did complete the acquisition of ScB you know where we already did have a conf call on that it was in back in May.

And as a result of that, because part of the consideration was paid in shares, CBC now has become the second biggest shareholder of the group with 27% or 26.7%.

Česká zbrojovka Partners and the ultimate holder Mr. Holeček has about 50%, so 52.8% and we have free float about 20%.

Two notable contracts to our transactions is Ukraine.

One is CZ transfer of technology to produce brand to rifles for the for Ukraine army and also assembly said about site an agreement to supply machinery to produce small technology to produce small caliber ammunition.

Also, we paid dividends and I think interesting information from that is that we did, we did offer you a possibility to either cash or potential investment and we are very actually pleased that more than 1000 shareholders did invest their dividends to back to our shares.

So, I would say H1 full of positive news if you go to next slide. So this is in more detail what I was also already talking about . terms of revenues and EBITDA.

I think what's important to say here that the EBITDA and revenues which I was referring to were in the middle.

So, this is the standard consolidation, meaning that we have the Colt CZ business for the six months of the year, the organic business and then we have the second below business for roughly 6 weeks.

Or it's important to say that we grew not only because of the acquisition of S&B, but organically you see it here that revenues are at CZK 8.6 billion, it's well above the guidance for the whole year and also EBITDA at CZK 1.641 bn is well above the guidance.

And, and so, so the growth is organic but also helpful based by the acquisition of S&B.

And also, you have on the right-hand side of the slide you have the overall revenues and EBITDA on a pro forma basis because it gives you the best understanding or better understanding how we are and what group we are now.

So, we are on a on a pro forma basis at CZK 12.7 or 12.5 billion CZK and EBITDA CZK 2.7 billion

So sizable increase of the group.

Yeah, it's slightly less than the full year performance of last year if you remember well.

And last year therefore was not much higher than the KPI's which you see here for a pro forma basis.

So, it's a significant increase.

If you go next slide regional revenues.

It's self-explaining.

I would say that you know that when we discussed the S&B acquisition, we did tell you that the most important market for S&B is Europe.

So, you see that the inclusion of S&B in forms for a small period of time had an impact there as well.

But you know if, if I will comment, you know briefly US remains the biggest market followed by Europe, Czech Republic and then we have home markets of Canada and also something in Asia for your better understanding.

We have also revenue breakdown by segments firearms and ammunition. And you see here that firearms or that ammunition is even more geared towards Europe. Obviously, there are two reasons.

One is S&B Europe is the main S&B market. Europe S&B is very much concentrated on, you know, it's one of the targets is, is to be in Europe.

So that's reflecting that, but also sales of swissAA in Europe.

So basically, that's why Europe is so heavily weighted on the ammunition side.

So, will you know you can count that that Europe weight on the ammunition sales will go down in the for the whole year.

You know if you go to the next slide, this is division by customer or sales by customers.

I think the most important information here is that we are at around 50:50 split.

So basically, MLE customers buy the same amount of stuff in dollars as our commercial customers, which is huge, if you remember well over the last few years, it's a huge increase of the weight of this.

And it's based on 2 facts.

First of all, significant increase of demand on, on defense and, and less, less of a growth or stagnation in some markets on the commercial side. So basically, it reflects well the good balance of the business that we are balanced between 2 segments and we can benefit of the strength of those segments.

You go to the next slide.

This is an important slide because it shows you that even though the units sold end up by only 3%, the revenues outperform quite clearly. And it tells you 2 information.

First of all, we are growing in the on in the long arms, so long guns, which is a higher dollar value or higher CZK value product, which means that we are growing in the military segment.

So basically, the growth of revenues on the growth of revenues on the firearm side was driven by the MLE contracts. And that's what is affected in the growth of long guns come in comparison with the with the short run which were kind of stable, slightly down.

So that this on the right-hand side you see the quarterly revenues.

We did tell you that in the past that we have higher seasonality of the business. I already mentioned that Q2 was the best quarter ever for us.

For us this year we expect strong Q2 and Q4, Q3 will be slightly slower. But overall, you know, we keep the guidance but this is we are very pleased with that we had a record Q2 both in terms of EBITDA and revenues.

10:31

Also important to say, if you, if you do your math, you will see that EBITDA, EBITDA margin for Q2 grew up significantly also on the firearm side.

So, it's well about 20%.

So, it confirms what we already said at the beginning of the year when the margin was lower than we expected it to pick up.

If you go to the next slide, net profit, I did already mention that the profit was slightly down.

There were two effects for net profit.

It's basically there are effects related to acquisition of S&B.

So, there is a significant increase of amortization.

Also, there was an effect of vesting of the ESOP shares which has IFRS impact on profitability.

It doesn't have a real impact on it, but it has impact on the profitability.

And then there is obviously acquisition costs.

And also, we did have a smaller contribution of derivatives to the bottom line to the financial result, because now the FX are slowly slightly weaker.

So it's actually helping us on the underlying profit.

It's not anymore contributing much.

It's kind of nothing or slightly positive on the net on the on the financial income, on the EPS, it's the same story.

So, so when you recalculate you go down and also the average number of shares went up.

So that's also a result of it.

So, in combination it impact on these two KPIs.

You go to Capex, we keep the Capex in line with the guidance that is you know, I mean if you do simple math, it's you might think that it would undershoot the guidance, but we keep it.

We decided to keep it because we have some projects going on.

So, it's something where we you know that we are rather conservative.

So, we wanted to give you information which we will be able to respect or to keep to stick to.

If you go to the next slide in that nice obviously affected by the by the acquisition of S&B.

This is just calculated on let's say bond documentations on both covenants.

So, they are not adjustments as we are doing to EBITDA.

We knew that it would be the case and we know that we are below what we can have and we are working on to our ambition is as you know that we are more conservative.

Our ambition is to have a in that Net leverage at around let's say 2-3x.

So, we count and we expect the leverage to go down and in, in the by the end of the year and, and the year and the next year because of operational performance of the business and case generation of the business.

If you if you go to the next slide guidance for the year, we didn't change anything.

We keep, we stick to the to the guidance which we gave you back in April.

So, in terms of so you have the three scenarios, maybe I will start with the with the middle one which is the which is the one which you will see in the accounts.

So that's what you will see in the new consolidation CZK 20 to 22 billion of revenues and CZK 4.3 to 4.7 billion of EBITDA.

As a reference, you have on the left-hand side the standalone guidance which tells you about our organic growth.

So, you see that organically we expect to grow in revenues 10 to 20% and in terms of EBITDA kind of same levels 8 to 25 on a, on a consolidated level, 35 to 48% on revenues, 41 to 54 %on EBITDA.

And I think important information as well is the full year guidance for the on the, on the on a pro forma basis, which basically tells you what the current size of the business is.

And you will see that it's around CZK 25 billion, 23 to 25 billion Czech Korunas, 5.2 to 5.6 billion on EBITDA.

So actually I'm pleased to say that you know, and we did already say it in the call when we did, when we completed the position of S&B that you know, our guidance for the full year is will we put ourselves as an ambition for year 2025 in terms of revenues and EBITDA and also in terms of a split.

I didn't maybe I should have said it at the beginning is a result of hard work, you know, and I would like to actually thank our people for doing it for performing that every day.

Because even though the results look, I would say very, very good in terms of, you know, growth and many people ask me, you know, there is a war.

16:15

I think that everything is a hard work of big people in all the departments of the organizations because we are growing and it takes effort to grow here.

If you go to the next slide, this is an important one.

You know that when we did, when we completed acquisition of Colt, we were explaining you how much of an impact the acquisition will have on the amortization part of the D&A depreciation amortization.

So, you see impact of S&B acquisition on the depreciation and amortization.

It's a noncash impact obviously.

So, you know analysts, you understand what it means, but it's important to mention it because when it will have impact on the net profitability.

So, it doesn't have impacted the EBITDA, but profit, yes.

So, so to even preemptively answer your question, we actually touched it yesterday with the Supervisory Board and Board of directors.

We will discuss whether and how we might alter the dividend policy.

We have not taken any decision, but a true phase that you know, theoretically distributed net profit is potentially higher, but it's not that we are, we are that I'm not trying to give any guidance, but I'm just trying to give you flavor how we are thinking because this is significant.

The 600 million yearly impacts of amortization on a net profit, which is basically an accounting principle reflecting the acquisition of S&B.

And I think that if you go to the next slide, I think that we are we are done.

Thank you very much for your attention.

I think that now is the time for questions.

18:10

Once again, you can use the time to ask any question.

And we have the whole team here to help you to help answer those questions.

Klára Šípová:

Thank you, Jan.

Ladies and gentlemen, if you would like to ask questions, please raise your hand in Teams application or speak directly to the phone.

The first question is coming from Atinc Ozkan from Wood & Company.

Atinc, please go ahead.

Atinc Ozkan from Wood & Company

Thank you, Clara, I hope you can hear me.

OK, a couple of questions.

I'll just ask the first one.

First three, one, on your ammunition business.

Looking at the recent comments of all incorporation and kinetic, it appears higher input costs for such things as copper and gunpowder remains an issue.

Can you elaborate what kind of annual price inflation you have faced in the first half for gunpowder, brass and anything that is of significance?

And my second question is, I'd remember S&B is producing all of its propellants in house.

Can you elaborate how your vertical integration in primers is maybe helping you offset higher input costs?

And my final question is regarding the two recent deals with the Ukrainian government BREN 2 and the technology transfer or machinery, what kind of revenue contribution should we expect and how long is this going to last?

Thank you.

Radek Musil:

OK, good morning, everyone.

The first was the cost of the propellant and the supply.

So, we are secured for this year and we are almost secured for next year, but you know there's a long time ahead.

So, the question is the cost of the propellant, for sure it rises, the price rises, but it's in the single digit of the percentage or the maximum.

A maximum to double digit of percentage, but lower level not, not higher one.

And the question was then we do not produce propellant, we do not produce powder.

We buy it from several sources around the world.

But we produce primers.

But on primers there is no, there is no cost effect, there is not an effect.

Well, the regarding the, regarding the, the, the Ukrainian project.

Well, I must point out that into Ukraine is the is the war.

And for them it's really strategically important.

So, I wouldn't like to comment about and beyond the public information because of those reasons isn't OK like that.

Atinc Ozkan from Wood & Company

All right, I understand.

Maybe if you could, if you can comment on what kind of revenue contribution can we expect this year and next year is going to be significant or is it going to be something small maybe?

Jan Zajíc:

Hello.

So, I will continue on Radek answer and the revenue, the revenue and timing and like I already said is a war situation.

We need to also respect our customers and end users.

And with regards to revenues, I think it's done easy to calculate what the volume on units or is or a size is.

And obviously we cannot disclose that.

And so, we need to stay with this information for the time being.

It's significant for all of us.

Potential is significant.

That's important to say, OK, I understand from signing an agreement and delivering and, and, and, and cash, and receiving money and everything.

Klára Šípová

The next question is coming from Pavel Ryska from J&T Bank.

Pavel, please go ahead.

Pavel Ryska from J&T Bank

Good morning, everyone.

First of all, let me congratulate you on the very strong results which are pleasing investors.

I think many questions come up in my mind, but I would like to ask the first two.

First of all, if we could receive some more color on the market in the US because in the introduction by Mr. Drahota, he says that there is some recovery in the US.

At the same time in the notes in your presentation, there is a mention of some softness in the US market. So, you had a double digit increase in sales in the US, but at the same time short guns were not selling higher than in the first half of last year. So, these are kind of maybe conflicting elements.

So if you could provide some explanation on these, what's going on in the US market?

And my second question touches on the MLE sales. You said that they increased significantly in the first half of the year. Could you mention some particular concrete MLE orders that are driving sales in this respect?

And when we are talking about MLE, you first I think touched the 50:50 mark, in the share of sales.

Do you think this split will continue in the coming quarters and years or is it going rather back to some majority of commercial sales?

Thank you very much.

Jan Zajíc:

So MLE, we have already a couple of times stated that we do not comment on a particular market.

However, for MLE rifles especially it's the situation, let me say in Europe was happening with regards to 2% of GDP and the situation in Ukraine I would say with this comment as well, OK, if you will.

Dennis Veilleux

Hello, I'm Dennis Veilleux.

I wanted to address the question that you asked about the softness in the US market and, and maybe some of the how you described it as conflicting.

There is softness in the US market.

It's, it's part of, it is the cycle of, you know, typically the second quarter and the beginning of the third quarter of the softest times of the year in the US commercial market.

But in addition to that, there's an overall softness to the US market just to reduced consumer spending on firearms.

And then if you look at our numbers compared to our competitors' numbers, it seems ours are not as soft as our competitors.

And I attribute a lot of that to the demand of our products.

And I, I think we're taking some more market share than we've had in the past.

Pavel Ryska

Thank you.

Jan Drahota

Maybe to add to that, it, it's really does depend on the age of the portfolio or we see that when the market is softer, you have the news on the commercial market, I mean to, to be successful.

And so, so basically what do we see that, when either Colt or CZ introduced new products. It, it does, it does have significant influence on the on the sales.

One more, one more thing to what Dennis said, there is a question about split at the end of the year or going forward.

Actually, we are happy with the 50:50 split. We still expect to deliver some significant MLE contract. So, I think that this is a, there is a that there is actually a good, good pipeline which we have obviously the bigger they are, the more digitality there is, you know to get a license to finalize everything. So that that's basically that's connected with those, but, but we still have some significant contracts related to that. And, and we know that we are not concrete in terms of contracts, but you know, it, it's more common now that especially in the US that a lot of the, of the, of the MLE contracts are related to FMS.

So, so U.S. government buying for certain countries, we know who the countries are, but the customer is at the end of the US government.

So, we stick to information like this.

Pavel Ryska

But please let me dive once again like into the, the development of sales in the US.

So, there was more than a 30% increase in your sales in, in the US market.

So, what was the main driver?

Dennis Veilleux

So the, the main driver for us was we had some very good revolver sales this year, again driven by expanding portfolio, new products for us within that sub segment.

Jan Zajíc

And also, CZ sales went up this year compared to last year.

Last year was the one of the, let's say disappointing for CZ brand last year in the US.

So, this is an aluminum frame, hammer fired pistol in compact size where there are good drivers of sales.

So, so basically, it's combination that's true.

So, CZ also this year recovered and we still expect the new products which were just introduced and had a good reaction to those. We still expect sales to grow actually double digit in on the US commercial market this year.

Pavel Ryska

The last element was that in your presentation you say that short guns actually sold less

pieces overall this first half of the year.

But so if I get it right, they were selling, they were increasing in sales in the number on the US market.

Jan Zajíc

The thing is that short guns is also polymer. They consist of both polymer frame and steel frame and aluminum frame, right.

So for us, you know, if I was to discuss the success of the polymer frame, the products in the US with the like a fire.

I think that P10 was not growing.

I think that it was kind of stable.

It was a relatively low dollar volume for us.

The Shadow 2 compact, which is another which is aluminum frame is it's 1111 Shadow 2 compact will be in dollar times probably 3, P 10s in dollar times maybe 2 1/2 to 3:00.

So, it has less impact on volume, but it has an impact on dollars and we just introduced on the in the US market P-09 Nocturne which is which is polymer frame and had a very good reception.

So, we believe that it will perform very well. So far it looks very good. But so, this is the logic. So, pieces are important, but they don't have to be affected in dollars because some of the pieces are relatively cheap pieces in a way.

Pavel Ryska

My, my last question, very different one please.

What are the interest costs on the new acquisition loan that you have?

And especially if these interest costs should differ in the P&L and cash flow, meaning that there could be some interest cost in the P&L going forward from this from this loan, but different costs in in cash flow.

If you have this swap that you used also for some of your bonds previously.

Thank you.

Jan Drahota

First of all, we are hedged in terms of higher exposure.

So, we are hedged too, I believe that we, we once again, we can disclose the hedged logic, but we are hedged I think quite significantly to you also basically because we are net exporters.

So, I think that the hedged part of the interest rate is around and please don't quote me on that.

It will be around 2.5.

Maybe last two points.

I would say 2.3 to 2.5.

And then there is a credit spread.

So, I would say that we are in the range and at the current level, we'll be in the range of two, 5 to 6%.

That's my, it's my rough, rough number.

But we can give you the exact number and it obviously goes down if the interest rates go below 3 and further.

Pavel Ryska

OK, thank you.

Jan Drahota

Sorry Jana Matoušková now tells me that this is all described in the half year report.

So, it's all in the notes to the financial statements.

OK, yes as the hedging case, so it's there.

But once again, you know, just for you to understand that we are, we are being still disciplined.

We hedge our exposures. We did hedge this higher exposure, even though rates are expected to go down. We thought that it's better to hedge the levels which we believe are OK than to be totally open because it's a significant amount of debt. And, obviously with the leverage going down the interest rate, the margin on the on the acquisition loans will go down as well accordingly.

Pavel Ryska

Thank you very much.

Klára Šípová

Ladies and gentlemen.

Next question is coming from Atinc Ozkan from Wood & Company.

Atinc, please go ahead.

Atinc Ozkan

Hi, maybe a follow up on the US markets.

Were you able to pass any inflationary price hikes so far?

I was looking to Ruger and Smith Wesson's earnings releases.

They do complain about increased promotional activity in the markets.

So that's the first question.

And second one, I know that you have introduced several new rifle products for U.S. market, I think including a lightweight carbon hunting rifle and some others.

But can you again remind us whether you have introduced any new products on handgun market? I could not catch details of Jan's answer in the for the previous question.

Thank you.

Jan can help you, you know, maybe answer to the first question.

Jan Zajíc

The new, the, the strategy on the US commercial market to be able to increase prices is to is the easiest one is to have a new product.

It's much easier to increase the price of a new product than to than to try to play with something which is already on the market for three to four years.

That's the most important thing.

So new product is the is the solution to the game for the US.

We did discuss that six months ago that for the US, we were cleaning the channels and the CZ was actually, you know, helping the sales by promoting.

And we discontinued this three months ago because we don't think that it brings value to us.

And, and we decided to go with new products and the newest product is in October.

As you also remember that what we last investors calls that we also commanded on, let me say, invest investment in the market via promotions in US and new products.

You're right, we have two rifles there. It's a CZ 600 and we can we got a couple of new variants as a new caliber and a new mainly new caliber.

And with a smaller rifle main fire rifle CZ457.

We came also with a new stock.

Yeah, these are the innovations we brought.

And as we already commended a couple of minutes ago, we introduced the CZ Shadow compact, which is well selling in the US or worldwide.

And the latest, latest new is P 09 Nocturne, which is a polymer frame pistol released just a weeks ago.

Yeah, of course in the future we will continue and it's not a secret that if you work on innovations in every single product, product line of CZ for the US or the rest of the world.

Atinc Ozkan

And can you elaborate what was the percentage of new products in your sales in First half in the US?

Just asking because your competitors do comment about this and brag about it.

I think for Ruger & Smith Wesson, it was 60-70%.

Jan Drahota

No, we don't have this figure.

We might consider to do it next time, but we don't have it.

At the same time, you know, we always discuss what is the new product, whether it's a new caliber, in terms of new stock or whether it's new, new product.

For us, it's someone to say that for U.S. commercial market is important, but it's relatively less important to us than to competitors you mentioned.

So, we'll get it a bit differently than that.

And for erratic for S&B, it's even more opportunistic than for firearms, for S&B U.S. is a place where basically they sell today.

But the target of S&B and the demand for S&B is in the military and law enforcement.

Klára Šípová

Next question is coming from Peter Bartek from ČS Erste Bank.

Peter, please go ahead.

Peter Bartek

Good morning.

I would like to ask about a Czech market because the picture in the second quarter is a little bit clouded due to the S&B acquisition.

So, what's the situation of the firearm sales and checking out whether there is something new about the about the Czech Army contracts and technical question, I said we had quite a nice margin if I calculated correctly like over 30% in in the second quarter.

Is that related to any adjustments in terms of the inventory step up we just mentioned in the adjusted figures or and how, how does it look into the second half of the year?

And further you mentioned that you have some new projects in terms of investments for the second half. So, if you can elaborate on that, please?

Thank you.

Jan Drahota

It's actually the step up in inventory had a negative impact on EBITDA because as a part of the acquisition we increased the price of the inventory.

And so basically then profitability is calculated from high price relatively.

So that's why we mentioned the figures that there is this negative effect on the profitability, but they can elaborate more.

That's why we were adjusting for that.

But we can elaborate more on S&B business.

So please take any consideration that the numbers whereas mention ammunition, we are included there just from the 16 of May till 30 of June.

So probably it's not giving you the full picture, just on the above.

So, there'll be a lot of the first half year.

And what's more, there is also including Saltech from Switzerland.

But generally, the response to your questions, our sales are steady this year.

There's the same volume every year and the margin is also steady.

So, no big sold out of inventories didn't happen.

We have steady business, OK, yes, big projects, investment projects in terms of Capex, we don't comment in you know, in general Capex projects it would be maybe too much detail.

We and we don't we don't intend to build a new factory if I put it this way.

So, everything is, is in the factories.

Peter Bartek

Would it be U.S.; would it be Czech Republic?

Would it be anywhere else?

Jan Drahota

It's a standard Capex which is being done and any anything else was on the in the question.

And in the Czech Republic, you can see that the nice number for first half of the year and that The thing is that we have completely MLE or mostly MLE.

Why is the increase because we deliver Czech Army and we also deliver Ukraine and the new contract maybe and you can give more flavor, we are discussing, yeah, new framework agreement with the Army of Czech Republic.

We are in a discussion.

So, it again consists of firearms as well as accessories and is very significant.

But we cannot comment again with respect to the partner further details.

So, so this sales to Ukraine are mostly visible in Czech revenues.

In terms of Capex, I was actually referring to maybe to Hungary, if there is imminent increase in capacity or like that, OK, it's capacity, but not Capex.

Yeah, basically we have fully invested in, in, in Hungary.

There are still some minor machines which we'd like to build.

It will be done together with the Hungarian party, but it's not included in, in, in those.

So capacity is really steadily or heavily I would say increasing from the January 1st.

But it's once again, it's a growing process.

And only when you, and this is important to say, only when you have a factor like this, you realize that to set up a factory you don't need all the money.

Klára Šípová

Ladies and gentlemen.

Our next question is coming from Pavel Ryska from J&T Bank.

Pavel, please go ahead.

Pavel Ryska

Yeah, thank you.

So, I have one, one more question in my pocket.

So, considering the run rate of your sales, you could be somewhere in between 23 and 25 billion, which translates into let's say almost €1 billion and that achieves more or less your target that you set for yourself a couple of years ago.

So, if we think about this, does it mean that for some time the acquisition activity is going to stop for Colt CZ?

Or does it mean that for example, following the example of other companies such as As for example, CSG, which is aspiring to acquire more for example, in the US and very ambitiously and also other companies here and elsewhere?

Or are you still thinking about, about expanding more and acquiring some, some other companies?

And if so, in, in what, in what field exactly?

Is it optometric or, or could it be something else, for example?

Thank you.

Jan Drahota

Actually, you know, you called us at the right time because last three days, we had a management meeting in Brest where we have the academy and we were actually discussing where we want to go further.

And I would say I would have the first comment is that obviously we are happy.

And you remember when we mentioned first time this, this goal that it, it, it, it looked a bit ambitious.

I think that we are happy that we were able to deliver growth.

But it's, it's continuous work and we have to work to prove once again that we deserve it.

When we think about our business, obviously we do not look at it the way that we have to be acquisition machine to grow.

I think that what is important that individual companies are able to deliver on their strategy and their products and make money and satisfy.

So basically, sell the right products to the right clients and as a result you make money.

That's what I would correct me because the product and the customer comes first.

So, it's important to say that, but obviously we will be looking at how to strengthen our group if there is an opportunity.

So, I'm not excluding any acquisition, but I'm not saying that we are that we want to go after acquisitions forsake of growth. No, that's, that's not our style.

We definitely want to make sure that we have sound financial foundations.

So basically, you want to make sure that, you know, these days at three times plus EBITDA, I think that we would not like to do anything bigger.

I think that we have to once again bring the leverage closer to 2 and then we can think again maybe, but it depends on the, on the opportunities we, you know, we want to grow.

That's maybe the most important thing.

We want to grow still.

I think that when we think about our business, you know we are now discussing what should be our ambition 2030 and you know it's again ambitious if I put it this way.

We want to grow substantially.

But once again, it will depend on the organic growth of the business.

And if there will be opportunities in other, let's say in the related industries, we will have a serious look at them.

But this is not something which we have to do tomorrow or the day after tomorrow.

So, the areas which you mentioned are areas which we like, which we like to look at, but nothing which is on the plate which we would like to consume by the end of the year.

But obviously, as you know, we normally do not comment on ongoing discussions or acquisitions, OK?

Pavel Ryska

So I, I take from this that's your ambitions for 2030 will be again quite high, but you are not forcing yourself into any, anything, OK.

Maybe one last question concerning your outlook for this year.

So, you basically beat your own projections for the first half of this year, but you didn't change your outlook, your guidance for this year.

So is it more some kind of conservatism on your side that you didn't upgrade the guidance for, the whole year or is it rather that you are expecting, let's say shell over third quarter and the guidance for this year takes this into account And it's and it's like, like quite right.

Jan Drahota

It's where it should be.

It's a good question.

And you know, in life, it's always good to be ambitious and it's even better than if an ambitious goal can be overachieved.

Yeah, that's, that's how I look at things.

So, it's good to have ambitious targets and it's always disappointing when you don't reach them.

But honestly, seriously speaking, I think that as I said, you know, our business is more, has become more fluctuating because of the bigger military contracts.

We, we kept our guidance because we thought or actually, I tell you this myself, I don't feel well when I disappoint you guys, OK.

And when we disappoint you as a team with saying something and not delivering upon the, upon the results.

So, I think that for us it's important that we have credibility with you and with our shareholders.

We have more than 15,000 shareholders.

So, for us it's important that our shareholders understand what we are trying to do and if you are able to already find, but what is important that we are able to stick to what we say to, to the market to you guys, to our shareholders.

So, we did decide not to change the guidance because this is because we gave it and that's, that's basically it.

Yeah, we, you know, last year we did not deliver on the promises from the beginning of the year.

And I and I do not want to ask to repeat, you know, I do most, I hate excuses when people have excuses.

So, I don't want to be excusing us.

Pavel Ryska

OK, good.

Thank you, very much and good luck for the present quarter and the rest of the year.

OK, thank you.

Klára Šípová

Ladies and gentlemen, if you would like to place questions, please raise your hand in Teams application or speak directly to the phone.

So, if there are no further questions, ladies and gentlemen, thank you very much.

This has been almost an hour of effective presentation.

So, thank you for joining the call and send us an e-mail if you have any further questions.

Thank you.