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Colt CZ Group SE – 9M 2022 Analyst conference call

Klára Šípová, Investor Relations:

So, Good morning ladies and gentleman, I would like to welcome at the analyst conference call in connection with the nine months 2022 financial results published by Colt CZ Group today. The presentation is available on our website, and it was shared with you via email. I would like to welcome today's speaker on the call. It's Mr. Jan Drahota, the CEO of the company and the Chairman of the Board of Directors. And Mr. Jan Zajíc, CEO of Česká zbrojovka Uherský Bord and member of the board of the group.

Hello. Good morning.

We will go through the presentation of slide by slide. I would like to ask you to stay muted during the presentation because there are over 20 participants. And afterwards you will have the opportunity to ask questions in the q&a session. And now I would like to hand over to Jan Drahota to start the presentation.

Jan Drahota, CEO:

Okay, thank you Klara and good morning. Once again. I think that we can start with the presentation. So if you go to the slide with the with the highlights of the nine months, you see that the key KPIs are up quite significantly. Starting with revenues, for the nine months of this year, we are at 10 point 2 billion CZK which is around 34% up versus nine months of 2021. Adjusted EBITDA after nine months at 2.34 billion CZK which is a 45% increase over the nine months of 2021 and adjusted net profit 1.46 bn CZK, 30% up and adjusted EPS also 30% up at 43 CZK per share. If you go to the next slide please here is a bit more detail about revenue composition in terms of geographies and also in terms of units sold. The first message is that the number of units so is up only 10%. So if you compare it with the growth of revenues, you see that the revenues are outpacing the number of units sold, which would tell you that we are selling a slightly different mix. The mix is more into more expensive products. So we are in a in more long guns and you'll also see that long guns have grown faster than the short guns or the handguns. So that's the first message from this slide. Second message is that this share of M/LE customers is in the range of let's say 30 to 40% for the nine months, so heavier on the MLE side compared to the nine months of 2021. And as far as geographics are concerned, it's, you'll see that US is still the biggest market for us, or the most simple market for us back now representing around, let's say closer to half of revenue, so 55% of revenues, followed by Asia, Europe is our Czech Republic, Canada, and Czech Republic. So these are the key markets, the only region which went down significantly in terms of importance on the overall sales or geographical split is Africa, you know, that this is a region which is very much driven by the one-off contracts and, and we believe that there will be, you know, significant opportunities, you know in the very near future, so that's, that's as for this slide. If you look at the full year guidance, and I think that the full year guidance is the most important information from this slide, because we already discussed revenues and we discussed the EBITDA. So, we go from the guidance which we gave you, not long ago for the six months figures. So revenues 14 - 14.6 bn CZK and EBITDA 3 to 3.3 billion CZK.

If you go to the next slide, please. EPS or net profit, we already discussed those figures in the first slide, I have here two information first of all adjustments, you know, they are accessible in the in the appendix of this presentation, as for EBITDA, the biggest adjustment is the ESOP or the adjustment related to ESOP implementation. Then there is adjustment for one off cost related to m&a. And then, and that's just for the key adjustments on the EBITDA side, on the net profit there is one additional one which is related to the earnout or revaluation of it. Now, this is the story, which we have been discussing over the last 12 months. So that's for the net profit. Earnings per share, you'll see that the EPS for the nine months is 43 CZK per share, which is 30%, against last year. On this slide, we have two more information compared to last presentation. First of all, we did we do present here, split of Depreciation Amortization. So you have here you know idea how much of amortization is in the six months D&A and how much it's expected to have for the 12 months. So, and also going forward. So, I will say that this is the bright gray bar is related to amortization of PPA related to Colt acquisition. So you see that the this has a significant impact on the net profit because we are amortizing the intangibles related to the purchase price allocation, and you see that it will gradually go down. At the end of 2026 it will be basically amortized. If we take into account amortization, for nine months, it's additional around 88 CZK per share. I mentioned here only to give you more detail as we touched it last time during our call. If you go to next slide, please. Capex capital expenditures we confirm the guidance for the year which is which is around 5% of revenue. So, so we are talking about 700 - 730 million CZK. So that's where we are. And for the first time as well, we are giving a bit more detail about the geographical split of the capex, which I think that you also touched during our discussion last time. So, you see that capex is more evenly split and before so, this year out of the 446 already spent, is majority is still in the Czech Republic, but that is significant increase of Capex in the US, seven-fold increase actually basically in the US for the nine months of this year.

If we go to next slide, please. Debt profile there is nothing to be really commented here. The key message, the only key message I would have is that we are I mean the net leverages at a very reasonable level. So we did that it gives us or provide us with a very good space for potential m&a And trust me, we are working on potential transactions and we hope to be able to, to, to discuss something with you once it is more, let's say, really or we are able to discuss those.

If go to the next slide. Also, this is also a new one. This is related to, to cost costs, as we had several questions, last call about energies and materials in general. So, we decided to give you more flavor on that as well. So, you have here, let's say the OPEX for nine months compared to OPEX for nine months of this year compared to OPEX of nine months or last year, and then you go into more detail on the raw materials and energy the split there and you see that and you see that it looks, how it looks like I think a message we already discussed last time, as far as the energies are concerned the expectations for this year and also for next year.

We have also the consolidated data, we have also data with the US, I think I'm staggering message or the message for which is really standing out is that this year, for nine months, Czech Republic represents 84% of energy costs, so this is really, incredibly high figure or high share, I would say that it's a result of two things. First of all, I mean, as you know, there is more production in the Czech Republic, so there is less reliance on supply chain. But more importantly, it's very much related to increase of energy prices in in Europe and the Czech Republic so, so from 70 million last year, as we discussed last time, we are this year, we are expecting to get to 250 million on this year, and next year, it will be still around 400-450 million CZK so it's a huge increase in energy costs in Europe and this is reflected also the share of the energy costs in the Czech Republic or of the Czech Republic on the overall split.

If we go to next slide in this slide, I will not command slide, it is related to ESOP which we discussed last time, and we touched it, so you have here all the details for that. Maybe the only two messages, currently around 50 People have been awarded ESOP under certain conditions and which are mentioned here and which represents around 75% allocation of the potential envelop which is which was granted by the by the by the by the company to this programme.

If we go to next slide. Our brands, you know, we have discussed a lot and we are discussing a lot of our own financial figures. But for us, I believe that we believe strongly that our future is based on our products. So our ability to innovate and have good r&d, and also is very much related to strength of our brands, you know, or some of you know, probably that we have been quite active in the past about, you know, doing limited editions or limited series of products. You know, it was more, say random, but we have been doing that quite a bit for quite some time. This has been quite successful on the side of CZ. In the US it was it was quite outsourced. For us, we believe that this is a critical area, you know, for us to invest our energy, because it's helping, you know, it's helping to promote the brand and brand awareness and basically then helps us in our pricing power. And basically the CZ products became and the same for Colt products, they became collectibles, you know, the limitations. I don't know whether you notice about the Republika 75 was auctioned for 1 million, or 990,000 CZK, it's only I would say two months ago plus minus. So, it grew in price fivefold. So, increase a significant increase. So we are we are, let's say persuaded that this, this this segment of the niche part of the offering which we have is interesting to our customers. And it became as I said collectible. Here is the snapshot of 2 collectibles, which we are doing right now actually or these days. So these weeks one is white lion edition which is commemoration of the order of the white lion which was done all together is the Office of the President of the Czech Republic. And then we have the tribute to Legends where we have limited editions, CZ 75 you know, especially in engraved and the same goes for Colt the 1911. Order of the White Lion model will be 100 pieces and, and the Tribute to Legends are 50 pieces. So, you know we expect quite a nice demand that actually this weekend on Sunday there is an auction of the Tribute to Legends at the Kodl gallery so stay tuned and you know, you can you can watch how much money it will command, how much premium over the sticker price in command, we dedicated we dedicate the money from the auction to good cause, to funds which are related to you know, to military law enforcement and also part of will be dedicated to Ukraine to support Ukraine.

Important message here which goes to the next page as well is that we decided to use a blockchain technology to let's say more fairly allocate those products. So, we will launch let's say auctions of NFTs which will be basically digital twins of the products and those that have these will be basically giving the right to the buyer. So, the NFTs to buy the product, because as I said, you know, they are commanding prices which are above the sticker and we want to make sure that the let's say you access to it is the same as far as possible. So, we will auction the NFTs. And, and we will and 1000s of the buyers of those will have the ability to buy the product and final product. So basically, they are buying the place in the in the role in the queue. I would say for us this is really important because it we've made the decision as blockchain technology will enable us to have more direct relationship with our customers. So we want to have more relationship, because as you know, we don't sell to the final customer most of the damage from the two company stores, but we don't have any company outlets or retail outlets in the US. So, we believe that it makes sense to establish a direct communication channel and the relationship channel with the with the customer and we believe that blockchain could help us with that.

On top of that, obviously, it will have advantages for the user. And for the limited editions it will be basically proof of the origin of or authenticity of the product and it should to basically make sure that anybody who buys the product and maybe even buys it later on the you know on the secondary market and the end product is genuine product of the of CZ or Colt. And also as I said or again, some of the proceeds from the auction of NFTs will be also donated to the special account of the Embassy of Ukraine in the Czech Republic. One more information on this slide is that we have completed finally we have completed acquisition of Spuhr. So last time we discussed that we signed the documentation. And now we are just announcing that we completed the acquisition. So, we are now 100% owner of Spuhr. But the original founders of Spuhr are staying with us and helped and will be helping us to develop the business further we are very excited about the outlook of the business within our group and we believe that it has it's a really interesting potential is especially with the MLE customers globally.

Now you know we already together with Honza you with us to ask any questions you feel are interesting too. Thank you.

Klára Šípová

Ladies and gentlemen if you would like to ask questions, please raise your hand in the Team's application or speak directly to the microphone.

First question comes from Mr. Šafránek please introduce yourself and you can go ahead with the first question.

Šafránek, Česká spořitelna

Oh, hello, thank you, I'm Mr. Šafránek from Česká spořitelna. So, I would like to ask you, if you may be could to give some view on the US market, looking at the numbers for the third quarter, there was a clear slowing of the growth and actually adjusting for the FX impact of the stronger US dollar there's a yoy decline. So, if you could maybe provide some detail how we will look how you view the American market going forward.

Jan Drahota

Okay, so, I will take it from the group perspective, you know, US market, US commercial market, if I believe that you are asking about US commercial market, the US commercial market has been mega strong over the last two years, it went up significantly compared to the normal to let's say a regular size we went up from let's say 6 billion to 9- 10 billion now we are we be expected to see the market will have size of let's say 7.5 to 8 billion. So, the decline of 20 to 30%. That's what we would we see as the as the as the US commercial market development this year. So, quite strong decline of the market. And you saw the and you can see that results of our competitors, you know, how they performed and that their sales and profitability was down significantly.

For us, the US commercial, we believe and we have been always saying that we can and we believe that we can outperform the market and we can outperform the market in any situation. So, for us this year, I will say that and we discussed that, during the last call, it has been challenging to adjust our mix our production mix to the changed sentiment, we see very strong market for the long guns, we see very strong market for long guns center firing fire bolt action rifles. This is where we see very strong market, not a strong market for polymer framed pistols. This is the most let's say effective market in the US this is the market which segment of the market which down the most. And then let's say not strong market for steel framed pistols. I would say in general are not performing as we would as last year. So that is a drop in the market long guns meaning the meaning the centerfire are strong. At the same time, I have to say that we see that it's not even same for all brands or brands, okay. So, because we have two brands in the portfolio and we see that that on the Colt side, even for handguns, we cannot satisfy the demand. But for CZ brands we saw cooldown or for the handguns, especially because of the because of the because of what I said. So going forward, we believe that the market will not go up, we believe that there is kind of stabilization or maybe a slight decrease, but you don't expect anything dramatic going forward. Our ambition is to gain market share in this situation, that's how we look at it. So we want to we believe that in this in this in this situation, we can gain market share. And for us, I would say that, for us, US market is very important market but you know, our business model is more diversified than then on the US market. So, so we are still able to grow and but obviously it requires, it's challenging, because it requires ability to produce a different mix than we were expecting at the beginning of the year. That's the biggest challenge that has been the biggest challenge since Q2 and we discussed it last time to adjust our production to the mix which is which is demanded and actually you know, if we are producing in Czech Republic with a delay of three five months, so it does take some time to adjust the production to do that. So but overall, we you know, we believe that we can I mean in this situation we should be able we should be our ambition is to get the market share. As far as the FX impact is concerned, I don't have we don't have this kind of split here that are in the financial results that is the that is the financial income and costs related to the to the to the FX gains and losses. We are also at the same time hedged, you know, we are hedging our positions going forward. So, so you can also look at how much percentage of the US dollar exposure was hedged at the beginning of this year and you assess from that, because we in the report, I believe that that is quite detailed split on to hedge positions, you know, by year by product and by currency.

Česká spořitelna

Good, thank thanks very much for the detailed answer. Thank you.

Klára Šípová

And the next question is coming from telephone number which I identify as J&T bank. So, I suppose Pavel Ryska, go ahead with your question. I don't know if we can hear you.

Pavel Ryska, J&T Banka

So, I'm trying once again, now. Thank you, I will have three questions. The first one concerns, costs and the EBITDA margin for next year. So, now you have clearly cost pressures in terms of energy, raw materials, also wages, and we saw that in the third quarter the margin dropped very significantly compared to the first half of the year. On the other hand, you are saying that the product mix is improving in terms of pricing, so this could help the margin? So, my question is straightforward. Do you expect to be above 20% of EBITDA margin next year or do you see a risk that you will end up below given the cost pressures at the moment?

Jan Drahota

Overall, I mean, first of all, we are not giving yet guidance for next year okay, we have to close first of all this year and then to give the guidance for next year, but we are planning to grow still, okay. So, we want to grow even next year. And for us, and this is and you named it will require to sell different mix, adjust pricing and get new, new contracts, which should be have been for some time already in cooking anyway, so, so we don't give guidance for next year.

But our ambition is to have when we are planning and we are preparing couple of financial, let's say plan for the next year business plan for next year. We are working with the assumption that the EBITDA margin for our business should be above 20%. That's how we are planning.

Pavel Ryska

Okay, thank you very much. And now I have two questions regarding the slide with the employee stock option program that you provide it. So, so first, you have this target number two, which says that according to this target revenues in 2025 should be around 1 billion euros. So, if I compare it with the this year's guidance above 14 billion crowns, so it implies something around CAGR 20% average growth per year. So this 20% growth rate, which is pretty quick, how much of it should come from acquisitions and how much should be organic if you just could provide color on this?

Jan Drahota

Great question. As we are not giving guidance for next year and 2024 - 25, it's a difficult one to answer. But what I can tell you that we cannot do it on, we cannot do it on organic growth only or we don't see to get their organic growth only. So we believe that there will have to be a an acquisition or acquisitions in order to fill part of the gap, which we identified. And, you know, but we still see that the organic growth should be majority of the growth. Yeah, I'm not saying that it will be 50 60 70. But I'm just saying that is still for us majority of the growth, this is what we expect to have measure relative to growth. So we don't have to buy the full food revenues and full EBITDA but there have to be there will have to be acquisitions, yes, or acquisition.

Pavel Ryska

That's, that's very, very useful thing. Thank you very much. And the final thing on this slide, I get a little confused about target one because it says, achievement of EBITDA 275 million US dollars from 2021 to 2023. So if I convert it into CZK, then it gives me something around 2 billion something CZK per year. But that's too low, I guess, because you are achieving above 3 billion this year, and I guess next year as well. So, did I get it wrong? Or?

Jan Drahota

No, I mean, you know, that is when the when there was discussion about ESOP the decision was to or decision of the shareholder meeting/ the committees of the company, because it was decision not by the management board. But it was done in line with the with the acquisition of Colt. So basically, the first batch of the of the program. So first half of the program is related or the earnout, is I wouldn't say same. But as in as in spirit is a bit. It's a little bit correspondences, the figure, it doesn't, it doesn't have to be the same comparison base, but corresponds to that. So if you ask me, this is the first trigger or first hurdle is a relatively with current view of things and current view of situation with the guidance which we are giving relatively easier to achieve. Yeah, that's true. The second one is definitely another challenge here. But the program was discussed, you know, long time or significant time ago, and at the time, it was still, you know, to challenge to challenge the management as well and to retain it. So it's a, it's looking at it now with current view of things and is the guidance which we are giving to you, and which we believe you will be able to achieve and when we say that we plan to grow next year, it looks like achievable. Yes, that's true.

Pavel Ryska

Okay, so I just wanted to check that it's correct. And that's what I thought that it's quite easy to achieve. I see it okay.

Jan Drahota

Yes, it still requires more, but it's, I would say that it's, we are on a good track. Yes. Okay.

Pavel Ryska

Yeah, it scared me a little because I thought that you would be expecting a fall a sharp fall in EBITDA next year, so then it wouldn't be so easy to achieve. But I see now. Okay, so thanks. Thanks very much. And that's all from my side.

Klára Šípová

Ladies and gentlemen. Next question is coming from Miroslav Nosál from Wood&Co. Miroslav. Go ahead.

Miroslav Nosál

Good morning. Thank you very much. First of all, let me congratulate to the excellent results. I have a question related to your inventories. Could you please explain that growth in inventories in both materials as well as finished product. Thank you very much.

Jan Drahota

So, I would say that the inventories are two levels to it. First of all, you know, one is a one liner is that there is a bit of let's say, it's a mismatch in terms of delivery to significant contracts in q3. So, this will, this will normalize in q4. So, for us a good discussion about inventory, overall, the group level will be at the end of this year. So for us once again, there are significant orders the delivered after closure of q3, that's, that's first thing, second thing, the inventory buildup was at the beginning, let's say in q2, as we discussed last time, you know, there was we have to we had to readjust our production to the to the changed demand on US commercial market, especially. So, our so let's see, working capital management is a priority for us. And we believe that it should normalize and it will normalize at the end of this year. And we are taking actions to normalize the end of this year. So we changed the productions split and to make sure that we produce what we don't produce on stock. So I would say that the increase is a mix of two things, you know, needs to adjust the production was the first thing and second thing, the Q3 thing was really not able to deliver. And but it was already delivered in October. So deliveries to larger customers in in Europe, especially for military law enforcement area.

Miroslav Nosál

Thank you.

Klára Šípová

Thank you. And the next question is coming from Bob Trampota from KB. Bob, please go ahead.

Bob Trampota

Morning. This is Bob from KB I have just one question. If we compare your results for the first nine of nine months of this year, with your full year guidance, it looks like the fourth quarter will be pretty strong. And the question is simple. What's the magic?

Jan Zajíc

That's true that your comment is right, the fourth quarter is and will be very strong. It's already confirmed in October even though it's not fourth quarters is still 3rd, for month of November, again confirmed. And it's not a magic it was planned to have a very, very strong December. And the magic is that we have strong deliveries for MLE contract which are signed and also for the rest of the world deliveries for a preparation of first quarter usually we have very strong or our customers have very strong Q1. So two things strong first quarter and the deliveries to the customers of MLE for the last quarter of this year. So, it will be exceptional. And it's running it according to the plan.

Bob Trampota

Thank you, understood.

Klára Šípová

Thank you. And the next question is coming from Atinc Ozkan from Wood and company.

Atinc Ozkan

Thank you, Clara. Good morning. Well, two questions please. The first one is regarding the dividend policy. We haven't heard any news about that since last time. You communicated that in the second quarter, when should we expect to see any developments? And my second question is regarding your ongoing capex program. Can you elaborate on the nature of that thank you for the geographic split but is it more about capacity increasing your production capacity is more about efficiency new machinery new technologies. Thank you.

Jan Drahota

So, dividend policy at the board level we have a we have an agreement that indicative dividend payout should be minimum 50% of net profit and you will be taking into account also the amortization as we discussed. So, basically what we are saying minimum 50% of net profits to be distributed.

And second thing, second thing as far as the capex is concerned, you know, you have to look at it the way that the capex which is a bit different nature in Czech Republic or Europe and the US, in US, the company or Colt was or has been quite under invested over the last, you know, 10-15 years. So now, it's basically a combination of both of what you said. So increasing internal capacity to do things and also increasing efficiencies because they are taking or calling some of the work back. So the ambition is to work on the products where we see serious market where we see serious market demand lack of capacity to produce for this for this segment of the market. So we can take part and some or all the work come back home and make a higher margins. So those will concern, I would say, three, four products, it's not more products, but it's 2-3 free products, which we are taking back in the US and we are doing it in a measured way to make sure that we can implement the capex and we know that we can implement it also in the US because we are learning you know, our ability to implement the bigger CAPEX in the US we have been there only for one year. And, and also all the time we are doing capex, we are thinking in a way whether it will not be redundant to the capex, which is in Czech Republic, or maybe or even potentially, Hungary, and also whether it will be done in a way that will be also able to produce for, say, parts, or at least parts for CZ products as well. So basically, we are trying to make the production as flexible as possible. Under limitations, obviously.

Jan Zajíc:

I would also add one thing, besides what you mentioned, flexibility capability and so on. Its r&d, you know, we've been many times discussing or announcing that we have a very strong brand / product portfolio. And we should really keep this pace even though to speed it up. So we have also acquired significant portion of the, of the capex for 2023. For the new r&d projects, I mean, involving also the new models, tools and so on, not only r&d work as it is.

Atinc Ozkan

Thank you, gentlemen, you've finally I may ask over the longer term or medium term next couple of years, obviously excluding acquisitions. What kind of Capex trends should we expect. Is it going to decline from here or stay the same more maybe go up.

Jan Zajíc

In terms of % of sales, I mean, first of all, we are not giving guidance for us going forward. But I have to tell you that we have intensive discussions with JZ and Dennis V. in the US about capex, we scrutinize it in a way I already described. And but we see opportunities on the market to grow, we see opportunities on the market to make money and to make ourselves more efficient. So, we will be investing to the business. And I cannot tell you now, whether it will be 5% or six or 4% of the of the of revenues, but we don't expect significant decrease of the capex if I put it this way, or add significant increase as well as so. So we believe that we will behave in a measured way unless something extraordinary happens. So that's how we are planning now.

So far, the request for the envelope are higher than the than what we are going to do. Requests for the CAPEX envelope or higher.

Atinc Ozkan

Understood, thank you.

Klara Šípová

Yes, Ladies and Gentlemen, if you have questions, please raise your hand in the Team's application. Or you can speak directly to the microphone. So, if there are no more question from the analyst, maybe we could hand over to agencies and media for questions.

No question from Bloomberg or Reuters?

Bloomberg

Yes, hello, can you hear me? Yes, we can hear you. Yes, it's Christof from Bloomberg. I wasn't sure whether media were even allowed to ask questions on this call. So you caught me a little bit off guard. But maybe, I will ask about the cost of energy use in the Czech Republic and in Europe in general, is there is there any way in which you can shift production from Europe to the to US where I assume energies are cheaper? Or is that, you know, too complicated? ¨

And related to that. Do you expect to be eligible for, do you expect to receive any of the support for businesses that the government is planning to compensate manufacturers for? Or help manufacturers deal with, with high electricity and natural gas prices? And how is that going to affect your, your operations? And ultimately earnings? Thank you.

Jan Zajíc:

First of all, the question number one, I mean, the let me call it production flexibility or, or in the US and in CZ, you might hear from us for a couple of times that one of the integration targets after the acquisition of the Colt is the production flexibility. It means not only one side now talking about the energy. But it's both sided, I mean, to be able to produce the parts, or the even the complete guns in UB, talking about the Colt products, and vice versa, to be able to produce the CZ parts, or even complete guns in the US. So the project, and the project is running. So, we are now and we've been working. We've been working on that already before the Colt acquisition with our USA company. So, the project is running. So we are going to implement the first couple of assemblies there. And we are heavily exchanging the parts and products to be to be to be shifted.

If it's related to the energy I wouldn't say so. I mean, it was it was the target even before and it's a long term target. Talking about energy, of course, there is always if something like this happens, and then we have increases 200 million per year, it's always unpleasant. However, due to the all activities we mentioned this time or last time talking about the CAPEX, talking about the efficiency, talking about the productivity increases and so on, we do believe that we will be able to overcome that and Jan Drahota gave it an indication that we are again talking about EBITDA over 20%. So we will be able to overcompensate even I would say in 2023. We have been successful in 2022. So that's energy it's as I said, unpleasant however, we are able to cope with this.

Second, to state aid. We've been in touch with some of the programs which are currently running. For us the programs which are issued right now has I would even call insignificant impact. So, we are still waiting for a cap or any other European / Czech solution to help manufacturers to become more efficient within the globe. Means while mentioning that this is happening in Europe, this is not happening in in US it is not happening in America, it is not happening in Asia, and we are competing on the on a worldwide market. So currently we do see a very minor for us with a minor effect. So we do believe that in the next weeks days, we will hear something from European Union / Czech Republic with a stronger support to all manufacturers not only not only CZUB.

BBG:

Okay, thank you.

Klára Šípová

Thank you for your questions. Last chance for questions to the floor.

So, oh, that's another one.

Is it the J&T bank again?

Pavel Ryska:

Yes, thank you, I just thought of a follow up question regarding the dividend payout ratio, I just want to make sure Is it meant to be out of net profit and now I mean the accounting net profit or the adjusted net profit that you started reporting recently.

Jan Drahota:

Good question. And I said two things I said minimum 50% of the net profit and we also looking at amortization. So basically, I mean, you know, when we will be when the board is to discuss the next dividend payment or to proposition of the of the dividends to the supervisory board / general meeting. We'll be looking at net profit, we will be looking at the effect of amortization it because it's decreasing it, I wouldn't say artificially, but it has impact on the net profit as you saw for the nine months. And then we will say that at minimum 50% of the net profit or distribution. So, you know, that's how we'll be looking at it. Yeah. Well, how we should be I expect us to look at it because I don't want to give any guidance on dividends for next year as well. So but that's, that's the logic of it.

Pavel Ryska

Okay, thanks.

Klára Šípová

Great. So, the last explanation on dividends. And I think that this was a very nice call, almost one hour long. If you have any other questions, please send us an email or you can call us anytime. And thank you, everybody, for participating. Thank you.