Selecta Group Q3 2021 Noteholder Presentation

Wednesday, 10th November 2021

Introduction

Angela Cinelli

Investor Relations Manager, Selecta Group

Welcome

Good evening and good day to those joining us from the United States. Welcome to Selecta third quarter 2021 results presentation. My name is Angela Cinelli, Investor Relations Manager of Selecta Group and I will be the moderator of this session. Please note that the call will be recorded. On the call today we have with us Christian Schmitz who is Chief Executive Officer of Selecta Group and Philippe Gautier who is Chief Financial Officer.

Before we initiate, I would like to invite you to please refer to the disclaimer which can be found on page two of the presentation. As a reminder, after the presentation a Q&A session will follow. Moving on to the agenda page of the presentation, the first part of today's presentation will cover business and strategy update, the second segment will cover performance highlights and lastly financials. I kindly remind the speakers to refer to the individual page numbers as they progress through the presentation. Now I would like to hand over to CEO Christian Schmitz.

Business & Strategy Update

Christian Schmitz

Chief Executive Officer, Selecta Group

We offer solutions that respond continuously to client needs

Thank you Angela and hello everyone, great to have you again for our quarterly results. I am very excited to give you an update on the progress of Selecta, what we have been up to and how things came out for the third quarter of the year. I want to kick off with a very brief section today giving you a brief update on where we are from a commercial perspective. Most of you have been joining our previous calls so I think everyone is up to date on what our overall transformation is. The pivot of the business model of Selecta into one company out of 16 companies, our focus on new solutions and the entire purpose of our business is to bring joy to people, make people happy and do that in a consistent way. We talked a lot about that on the previous calls and today I just want to do a quick recap on where we have taken the company from a solutions perspective.

When I take a step back and think about it, if we want to deliver on our purpose, the purpose of Selecta which is bringing joy to people, making people happy, we basically do that through two things. One is we bring solutions that nobody else has, that are unique, that are differentiated, that cater to the needs of our clients. On the other hand, we deliver exceptional service that makes people happy. If something does not work out, we fix it. If we get those two things lined up together, we will enjoy superior margins because we have differentiated products and services that nobody else can bring. We will have high retention of our portfolio because of the solutions are good, the service are good and things work out. It is that simple. Then we leverage the synergy across 16 countries. We do not deliver a concept 16 times. We only do it one time. That is the formula how step by step, quarter by quarter we will make Selecta more and more successful.

I thought it would be interesting to look at our range. When Philippe and I took over a year and a half ago there was not much more than the classic spiral vending machine and some coffee solutions. That was the starting point where we came in. When I now look at the range of solutions that we have it is pretty impressive and I think very unique in the entire industry. I do not see anyone out there by far in Europe who is able to bring that range of solutions to clients.

You have got our coffee solutions where you have got this great combination of both branded solutions like Starbucks, Nescafe, Zoégas, Lavazza and also a strong Pelican Rouge brand with 150 years of heritage. We have big plans for Pelican Rouge, especially for 2022 when it comes to further fundamentally changing what the brand stands for. I think we have got a unique opportunity to create something that is leading edge in Europe of anyone when it comes to sustainability, climate neutrality and things we can do with the coffee brands. We are working hard on that. If you combine that with 150 years of heritage in coffee making, I think the Pelican Rouge offer will be invincible. That is something that we are already working hard on and will continue to work very hard over the course of the rest of 2021 and 2022.

On the vending solutions side, the classic competitor has got the spiral machine, we have got the smart digital vending machine which you see here. It is really exciting. It has got a full screen that you can change prices dynamically within a second. You can offer bundles. You can generate a lot of data because you understand what people are looking at, what they are choosing and what they are not choosing. We have got a big rollout going with one of the larger FMCG companies of the world where we do that in a partnership. We see that as the new generation of vending. Then when you look to the bottom you will see our snack market which is a new invention from us where we said, 'We want to replace classic vending machines with a more open solution that is very cost effective.' That does not come with the service suite and costs of a food market but has got the attractive economics that we can basically put it in a company for free. That is what you see here, and it is something that we have started to roll out in markets. The pilots are showing incredible results in terms of how people take it up and how ticket price develops. It is something we will scale dramatically into 2022.

Then when you go further on page seven you have got our food solutions which we talked about a lot in the past and which have seen a lot of focus. They have got a real momentum and I will show you some of the numbers on that in a minute. It is the smart fridges, it is the open micro markets, it is steamed food. It is really attractive solutions that we are now scaling from our individual installations to large companies where we are talking about 10-20-50 and more installations with one client.

Then you have got the new solutions on the slide. We are looking at the public on-the-go segment where the first one is open, and we are working on a whole new generation as well. Here we are always interested in captive environments. I have said that before on this investors call. We are not going to make the mistake and get into food retail and food retail margins. We are not interested in that. Similarly, we said we will never cook food on site. That is not our core competence. We are looking at places where you have a captive environment where there are no alternatives around and there is really room for a more open and public self-serve solution out there. We will keep you updated on that, and I think we have got some interesting signings to share in our next call.

I wanted to do that recap because we talked in the past a lot about transformation, people, headcount, and the impact of COVID. I think it is equally important to understand how we have used the time during COVID to build an incredible range out here that I think is really differentiated and cannot be found in Europe with any of our competitors.

Rolling out Selecta solutions

On page eight I wanted to show you briefly what that means and how that turns into some of the numbers, just to give you a few highlights. We will put some more facts together for when we do our full-year results in three months' time from now. Then we will take you through more of those details. What we have got here is we want to give you a couple of numbers. First of all, on the food market side Foodies, what we do here under the label, we have got a growth of 95% year-to-date versus our existing units. You see that this really starts scaling and I give you an example here just to get an idea of when it works nicely how it is.

I give you the example of Lonza. It is a client we have in Switzerland, our home country so I am excited about that. It is also a client that is really working for the greater good, not just of Switzerland but of humanity. They are the ones who manufacturer the Moderna vaccine in Europe. Obviously there to ramp things up. They have got a lot of people in there helping the world and we figured out how we can help their people help the world by making their people feel good, bring them an attractive food and snack option and help them work through the day. They work long shifts and do a lot of hard things. We wanted to support that. You see a picture of that micro market there which I think is beautiful. The interesting things is also if you look at average monthly sales of a location like that. In a location like that they are substantially above €20,000 a month. If anyone gets this thing through it sounds like, 'What are the economics of that? Why are these guys so excited about it?' When you take the average turnover of a vending machine and you take what you can turn if you get a micro market into the right location with the right assortment, with the right range and the right service, those are real substantial adds to our P&L.

That is Foodies and then I go to the right to the Nestle side where we announced the partnership before. We are working together. You see that we have grown just in this year the total number of units by 30%. Then there are installations so obviously we have got more signatures but then there is always a time lag between a signature and an installation. Then you will see more of that dynamic obviously happening and picking up more. I featured one here. I could obviously pick from a long list when you do more than 1,000 but I wanted to picture one here which is Melia Hotels in Spain. It is our first entrant into the hospitality sector with Starbucks, so far you find Starbucks in a lot of petrol stations, in semi-public environments and you find it in companies. We think this can really be an attractive solution for hotels. If you look at the place where I am at today in the United States, you find those branded coffee solutions in a number of large hotel chains. This trend has not really made it Europe yet. We think we can be at the forefront of that. Melia is running beautiful five-star hotels in Spain and in other countries. That is an installation that you see pictured here which I think looks beautiful. It is attractive. It makes you want to get a coffee, a delicious cappuccino or a latte, macchiato or whatever it is in the morning. We get excited about it, and you see we have got growth plans from that segment.

We are thinking solutions, we are thinking segments where we are focused, we are thinking different concepts. It is all of that where we are building the foundations of the new Selecta of the future while we are riding the shift and making sure that we are taking the right actions. In the near-term the pandemic has still got some grip on that, especially with the recent increase in COVID cases in some of our core markets.

Fast rollout of CRM in all countries as an example of implementing our glocal model

If we go to page nine, I wanted to highlight the last critical piece on the commercial side given that we wanted to make that a little bit of a focus topic on this call. As I mentioned before, we have been always fragmented at Selecta: 16 countries. Some countries with no CRM, different CRMs and no transparency to who our clients are. Hence it was hard to work with clients with a more international perspective. Within just six months we have been able to complete the full CRM implementation of Selecta across 16 countries. I think anyone who has done that before understands that when you have 16 countries and 16 different ERP systems where everything is fragmented, that is a true heavy lift that we have done here. I am very proud of the work that our CTO Roland Ludwig has delivered. I think he has done exceptional work and now we have got a full system, we have got transparency, we can see the pipeline across our markets, we can see the activities on a daily basis, we have got the integration into the Power BI, so we know what is going on. We understand which clients we have not followed up with, we can connect the dots across countries, and we have got a clear process behind it. This will be the foundation for the substantial commercial growth and improvement that we will drive in Selecta in years to come. Again, an example of building the foundation and investing. We are doing critical things that will pay off in 2022, 2023, 2024 and onwards, while we are driving that shift hard and making sure that we deliver on the quarter.

Rightsizing almost completed and continuous cost discipline maintained

I go to the next page because I know I cannot get away here without a brief look at the transformation restructuring side. I know a number of you also watch our cost line very carefully. I want to make sure we do the right thing in the new world where the office business will be permanently smaller. You see that we have progressed as we promised. We are now down at the end of quarter three at 7,100 FTEs. We said we would go to around 7,000 so we have basically accomplished that. We also address all corresponding line items that we have. We have got the example of the vehicle fleet. I have shown exactly the same chart now I think four or five times in a row. If you go back to the previous presentation, we have not changed the number and we are exactly following on track. That is what we are doing here. We make a commitment, we follow up and then we follow through and do what we say.

That was my brief introduction and then of course we will give you a full run down on all the things that happened when we close the year. Let me now briefly get into the financials. I will give you the brief summary and then Philippe will take over in a minute and take you through more of the detail.

Performance Highlights

Christian Schmitz

Chief Executive Officer, Selecta Group

Strong increase in profitability

YTD 2021 Financial Summary

If you go to page 12, please what you will see is another strong quarter. When you look at it from a profitability perspective you see that we are substantially up versus last year. Net sales are roughly flat. Profitability is substantially up. We still see COVID impact, and I will talk about that in a minute. There is also an unprofitable business that we have terminated over the past 12-15 months which has an impact on our net sales line.

You see a substantial increase from an EBITDA margin perspective, as you can see here. You see our results on cashflow. We see a very, very strong liquidity number that is obviously much higher than what we had forecasted before. It is a number that will come down because there are obvious cash outflows that will happen but while we navigate through the crisis we are happy that we have a buffer here which is substantially above what was thought of in the long-term plan.

Gradual recovery of activity towards year end

2019-2021 Net Sales Evolution

Briefly commenting on top line because I think everyone is interested in what the net sales evolution is, we tried to simplify that in a chart if we go to page 13. What you see here is it is a continued gradual recovery of activities throughout the year. What we are showing here is the 2021 versus 2019 levels to get an idea of how that trend is changing. The first quarter of the year we were at 65% and then the second quarter we were at 72% of 2019 activity. You look at July, August, September you see 76%, 79% and 74% so a further uptick. Why is August particularly strong? August is particularly strong because that is the month typically where the on-the-go is very strong which is the petrol stations and places that we have people moving around, travelling on summer vacations. That part has been very strong. We have very strong solutions in that space and also a lot of people picked the car to go on vacation versus the plane. There is some positive impact from that.

In September the office segment becomes more relevant again. The relative share of the office segment goes up and when you look probably around yourself you see that there is still a very substantial amount of people in their home offices. Office is historically a strong segment for Selecta and that impact is still there. As I mentioned earlier, we expect the long-term to be 60:40 roughly so people spend three days on average in the office and two days at home. However, we have got clients right now that are still at -60%, -70% where there is still a lot of hesitation. Then unfortunately the additional measures that were taken just recently, Netherlands 50% mandatory home office, restrictions in Belgium, we have a record day of incidences I think in Germany yesterday and that number is going very steeply up. Numbers in Switzerland are going very steeply up. We have got to be vigilant, and we expect the office segment again to be impacted over the course of the winter season. We are preparing for that, and we are taking actions for that. I think that is important.

When we look back at the beginning of the year when we thought about it, we would not have expected obviously that we would now have this massive surge again at this time of the year but it is something that we have got to navigate and that we navigated in the past. We will do so over the course of the winter season.

Quarter after quarter profitability improvement

Then I want to wrap it up for you for my section briefly with an overview quarter by quarter and show you what the trend here is from a profit development perspective. You have got a chart here with the net sales trend and our Adjusted EBITDA. You see that Adjusted EBITDA has been growing quarter over quarter. I mentioned before, quarter four 2020 had a reversal so without that I think you would have a steady six quarters under our belt where we see EBITDA go up. I think in total we are quite satisfied with what we are seeing here from a bottom-line profit perspective. With that I would like to hand it over to Philippe who is going to take you through more of the details of the quarter and then we will get into questions. Thank you.

Financials

Philippe Gautier

Chief Financial Officer, Selecta Group

Sales improvement and strong increase in profitability

Q3 2021 Financial Summary

Thank you Christian and good afternoon everyone, great to have you. I think you got a very detailed description of our business context, the environment and where we are heading. Now I will walk you through some more comments on the quarter starting on page 16. There we were talking about a summer quarter where we got to a bit over €260 million of sales so this is higher than last year. This is also a bit higher than the prior quarter. We clearly see what Christian described, i.e. we are still very impacted by the pandemic, the work-from-home policies in particular but now we see a gradual pickup and we got to 76% of the 2019 level which is the way to have a better metric than the comparison versus last year which was very impacted. That is where we are for the quarter.

Adjusted EBITDA we continued to see this progression both against prior quarter as well as very, very strongly versus last year. We are significantly ahead of last year. We are ahead of our expectations and importantly this is driven mostly by the structural cost savings which are ramping up. As Christian mentioned, we are very much in line with our plan. We have already completed most of the rightsizing or a very large proportion. Now we do not rely that much on furlough. Furlough is now marginal in the quarter which is very different from last year and it is also different from the prior quarter. That is the moment where we are turning the corner from this point of view.

Reported EBITDA at €44.3 million is also much higher than last year. This, together with the free cash flow, continues to be impacted and that is not a surprise. It is impacted by the one-offs which are related to the rightsizing. Christian already commented on that, we ended up with a strong liquidity which is stable and that is where we have generated decent free cash flow despite the payment of the rightsizing in the quarter. That enabled us to cover the interest payment that we had in the month of July.

Pick-up driven by gradual improvement of private and semi-private sector

Q3 Sales per Machine per Day by Channel 2019-2021

If I go on page 17 you have more details on our business by channel. We are starting with sales per machine per day or SMD. This is the split between the three large segments that we are following. You have private which are businesses: administration, services and manufacturing at about 60% of our business. You have semi-public where you have healthcare, education which are about 16% and then you have the public where you have rail, airports, energy segments which are about 20%. The private is showing some improvement but it remains the most affected by the pandemic and the work-from-home policies, it is a little bit different throughout the quarter as you have two months of summer, July, August and then September were we get a bigger share of business in there. Clearly it continues to be a lot of work from home, and you can have different degrees. If we talk about finance and banking which tend to be more conservative, clients we have in the UK, Lloyds, Barclays, or in France, Société Générale, it is on the low side. Then you have on the other side some logistics companies which are much better. Then you could also have the HQ of a manufacturing company, some of these manufacturing companies could have been a bit impacted by supply chain topics. Currently that is the case for some of our clients in Spain or Germany. That is the private where we are at -15% SMD versus 2019.

Semi-public we are at -12%, so there is improvement there. Now I would not read too much into that because we are talking a large portion of summer, here you have education which is not necessarily very meaningful in summer. It gets more meaningful as we go into October and going forward. You also have healthcare in there. Then you have the public segment where you have mostly rail and the energy networks. They are the closest to pre-pandemic if not already recovered to the pre-pandemic level. The one obviously which is still very far behind is the airports but that is a much smaller part.

Q3 Net Sales 2019-2021

When you got to the next page which is page 18, you see the impact in terms of the net sales. Basically, you have the SMD on one side and then you have the evolution of the machine park. Here we are talking versus 2019 so you have a comparison of two years and the reduction in SMD plus the reduction in the machine park is what results in the -25% that you are seeing here. The machine park, there could be different things: you have a combination over two years of client attrition, some clients we may have lost and you have long tail initiatives. Christian was talking about the situation where we had an unprofitable client, and we challenged this situation. Then we moved away on our initiative from such clients. Then you could have also some site closures from certain companies that could happen. That is the combination which really is forming this evolution of -25%.

Profitability improvement across all regions

Q3 2021 Net Sales and Adjusted EBITDA by Region

Now to give you a bit more colour by region, and this is moving into page 19, we traditionally report that in three buckets. You have the south and UK&I bucket, you have Central and you have North. What you see here, first message is that each of the regions has improved with slightly degrees, but all have improved versus last year in terms of net sales. As well in terms of Adjusted EBITDA you see substantial improvement versus last year. Starting with south and UK&I, here you have a combination of markets which have been hardest hit, Spain, Italy, UK, Ireland too. They are recovering somehow and there the EBITDA is improving as well. Still tough conditions but improving.

Central, you have a combination of different markets, this is improving as well in terms of EBITDA, you have a very profitable market in there like Switzerland which is a very highly profitable market. Then you have France which is at the other end of the spectrum which has turned positive and slightly positive in EBITDA, and which is recovering but gradually and from a pretty low base. Then the last bucket, in the North region you can see improvement especially in Sweden and the Benelux going in the right direction with slightly different colours by country.

Gradual recovery across countries

Q3 2021 Net Sales vs 2019 Levels

Another way to look at it on page 22 is a country-by-country view of the evolution versus 2019. Here you can see a bit graphically you have a combination of the other sales markets who have recovered versus 2019 a little bit and versus 2020. Then you have the Nordics which have a better performance than the overall Group and then you have certain countries, Austria, Netherlands, and Switzerland which are getting close to the 2019 level. That is the colour we can share by country.

Profitability improvement driven by higher sales with low cost base

Q3 2021 Adjusted EBITDA

Now moving to the other topic which is the drivers for our profitability in the quarter versus prior year. You see here our evolution in terms of the sales were higher by 4% and gross profit is even slightly better. In terms of the costs, you see a comparison where we have a cost reduction of about 12% versus last year. Have in mind that last year we had a very substantial amount of furlough in the number. Here when you see personnel expenses reduced by 7.7% versus last year, if I take away the furlough, we are talking about a structural reduction of 20% which gives you an idea of the magnitude of the adjustment that we have been managing here. That is also pretty much in synch with the conversion versus 2019 where we have a reduction of 26%. Overheads is pretty straight forward. We are talking about 20% reduction versus 2020 which is a gain of €10 million in the quarter. That is based on all the euro-based purchasing activity that we are performing as well as proper management of the variable costs. We have continued to incur one-offs of about €8 million in the quarter. That is the continuation of what we have done before. We continue to look at flexibility in the work force and continue to go a little bit further so that we can adjust our structure.

Strong reduction in other overhead costs

Q3 2021 Other Overheads Costs

On page 22, this is so that you get a feel about how our other overheads are structured by cost bucket. I would just say you have a combination of variable and fixed costs. Obviously, the rule of thumb we would say is around 60% variable/40% fixed. A big share of that comes from real estate and IT. Then if you have certain variable elements, it is mostly fixed clearly. That gives you an idea that really, we have been working across the board on all the cost buckets. Whether they are fixed or variable we can challenge them and reduce them.

Discipline in capex and working capital management

Q3 2021 Capex and Working Capital

Moving onto page 23 this is to talk a little bit about the drivers from a working capital point of view and a cash point of view. We continue to have strong discipline, you saw that in the free cash flow number. Too main drivers, one is in terms of the net capex and then the trade working capital. Maybe a couple of comments here. The capex is driven, as you know, by the machine installation and that could come either from new clients or it can be also with existing clients. We have also a sizeable portion of investment in technology. Christian mentioned the great work done with Roland our CTO and there is definitely investment in technology, be that IT or other infrastructure. Now what we have done is that we are really acting on optimising our capex and that could be two main elements for the machines. One is refurbishment, recycling of the machines which is good financially and is also good for the environment. Also using more leasing solutions, which they are very suitable for our new solutions which Christian was talking about like Starbucks or Foodies. This quarter we had a particularly high level of client lease, so it is worth about €18 million. As you know, there was also a little bit of a mix impact. We had a stronger contribution from the northern countries which are doing quite a lot in terms of leasing. They have not always done so, so that is moving clearly in the right direction.

Working capital, more negative than previous quarter which is good as this is a resource. We have seen an increase both in accounts receivable and payable with the pickup on activity, the month of September being higher and a little bit of timing as well, we continue to manage that carefully. We also continue to be impacted by the one-offs which are still due, related to the rightsizing as we have also paid a significant portion in the quarter.

Q2-21 to Q3-21 strong liquidity position maintained

On page 24, we see our liquidity position was maintained €165 million and in the noteholder plan we were expecting to be around €120 million at the end of the year and we are clearly better than that. Of course, there is an element of timing with the cash out from the one-offs. Now, in the quarter we have generated €20 million after having paid €18 million on the rightsizing and that means that we can cover the interest. Then on the rest which are the different financing elements are pretty much offsetting each other.

Strong liquidity

2021 Leverage and Cash Liquidity Evolution

That leads to our cash position, our liquidity and our debt position on page 25. You see the breakdown of our €165 million liquidity. It is a sizeable headroom that we have. There is a combination of basically the cash at bank as well as what we get from the RCF. In terms of availability, we have €88 million which is not used out of the €150 million. Our senior notes are up to €972 million. Overall, in the quarter we have been able to manage our costs and maintain our cash flow position while continuing to fund our business and fund our effort to right size the business. That is pretty much it and I am going to hand over to Christian for concluding remarks.

Conclusion

Christian Schmitz

Chief Executive Officer, Selecta Group

Thank you Philippe, that was great. Very detailed and I hope that answered a lot of questions that people might have had. If we go briefly to the conclusion on page 27, I think the most important thing for us to navigate is obviously the short-term dynamic around Delta and what is happening in the countries. Everyone looks at it and probably gets a slightly different view of what is going to happen over the weeks to come. I think the numbers will continue to go up substantially. I think ultimately, we will see more restrictive measures in some of our countries that will impact things. Also, an element of caution at many of our clients who will say, 'Look, with these increased numbers it is probably better to have some more people work from home throughout the winter months until hopefully this thing is cleared by March next year.' That is something that we just have to navigate on a day-by-day basis. When you combine what you see, the incident rates in each of the countries, the measures that are being taken, 3Gs becoming 2Gs, more testing requirements at the workplace, I would expect that there will be impact from that and we are going to have to navigate that.

As we said, we executed our rightsizing goals. We are on track on delivering our transformation and we also build that muscle now pretty well that allows us to adjust quickly and navigate those situations in each of the markets. We have got the right level of liquidity which enables us to manage any headwinds that we have and we are able to invest for growth. We will talk more about next year when we wrap up 2021 and I will talk about priorities for 2022. We continue to invest in technology, telemetry, connectivity, better data intelligence, insights. That is a big push for us that we have started this year. We see the benefits from that and we will accelerate that into 2022. We are glad that we have the financial means to do that.

Then the big focus continues to be on commercial. We want a world-class commercial organisation. I have talked today about our solutions. I have talked about the CRM. We are fundamentally changing the way we are compensating our sales force. There is a lot of things happening here which will have impact and get acceleration on top line when we get into 2022. Then we have got confidence in achieving our strategic plan for 2021. With three quarters under our belt and we have got another seven weeks to go for the remainder of the year. We will do that. With that let us wrap up Philippe. I think we should open for questions.

Q&A

Stefan Binder (Palmerston): Thanks for taking my questions. One question on vending fees, they went up a bit as a percentage of revenues. I am wondering whether that is a structural change or what is the background to that?

Philippe Gautier: That is a fair question. As we mentioned, we have slightly different dynamics by segment so if you look at the blended which can be between 12% and 16% depending on the quarter, in this quarter you have a combination of seasonality where you have a much higher share of the public segment in general, which includes the energy segmeny where we had the highest vending fees by far. That is a business which is really the most dynamic right now. That is what is driving that. That is really a question of mix. In general on the vending fees, we have been really strong at being able to negotiate the vending fees and we continue to do that, as we did during the pandemic.

Stefan Binder: Okay and the second question is with regard to your cap structure. What is your current view on the cap structure in terms of refinancing? When do you think the company is ready to tackle that or do you need one more quarter? What is the current thinking behind it?

Philippe Gautier: I think that is a great question. That is probably the one I cannot answer. I am not allowed to answer so I will surely benefit from this possibility not to answer. However, I think it is anybody's guess. Clearly, we see that the company's profile is improving quarter after quarter. Our performance is going in the right direction. We could be a much better trade rate than we were before so that opens up opportunities. That is all I would say. I cannot tell you more than that.

Stefan Binder: Okay. I understand. As it seems to be late, I will take the opportunity. I am not sure Christian whether I heard you right. Are you prepared to give a bit of guidance for Q4? Is it going to be sequentially weaker because of the more working from home or what is your view of Q4 versus Q3 and the trend?

Christian Schmitz: Thanks for the question, Stefan. We do not give any guidance for the quarter for full year. When you look out there, there is clearly quite some stuff going on from a COVID perspective. We have got to navigate that. The guidance we can give is what I said in the summary that we are confident that we will deliver on our strategic plan for 2021 and beyond. We are going to see how things shake out. It is a very dynamic situation right now, especially when you look at what happened in the last week and a half. When I look at it the announcement in the Benelux and I think the German numbers really picked up. I looked at the increases this morning across Europe and you have got versus last week there are a number of countries where cases are up 30-40-45%. We have got to see what happens with that but, as I said before, we navigate it, and the good thing is that we are already in a good shape. Also, then there are a number of markets where we still have fairly flexible instruments at our hand if needed. As an example, France which has always been a more challenging market for us, there is the flexibility on furlough for an 18-month period starting 1st September so we can navigate that. Similar to the markets in Italy. If there are any actions required immediately then we will adjust accordingly. We have got a very close eye on that. Other than that, not much more I can say except that we are on it.

Stefan Binder: Okay and one more question on inflation. Do you see any raw material inflation? Is that a relevant theme for you or are you able to pass that through? What are your comments on inflation that we see across a couple of industries?

Christian Schmitz: It is a very big theme very clearly, especially when you look at the development of the coffee prices. Both for Arabica and Robusta it is massive increases that happened. Not only drive by global supply chain issues but also by miserable crop in Brazil and some temperature drops that happened there so the crops got damaged. We navigate that. We have started to implement price increases with our clients, especially when it comes to the coffee side. Then we also have a clear programme of actions lined up going into the new year where we will make sure that we mitigate any impact that comes from any price increase that we see on our end. We are already very focused on that. We have got activities going and it is a topic that is front and centre for us.

Stefan Binder: In Q3 the gross margin was good, I would say, so there was no impact really in Q3. Are you expecting some Q4/Q1 impact or are you expecting to pass that fully through at the bottom line basically?

Christian Schmitz: Look, I said I am not giving any specific guidance for the quarter. What I said is we already started mitigating. That has not just started this month or so. That already happened a couple of months ago because when you go back to the coffee chart and you look at the price increases there that is nothing that happened overnight. We are already in the middle of mitigating that and we will stay on top of that.

Stefan Binder: Okay, thank you.

Stef Abelli (BNP Asset Management): Hi, sorry, maybe you said this, and I missed it but how much furlough is the company enjoying still or not? By when will it be going completely away if you still are?

Philippe Gautier: Stef, if you look for this quarter, we had a furlough which is substantially lower than we had before. We were at €3 million. Somehow, having furlough can be thought as being on steroids and now this is marginal. That could compare to €10 million in the prior quarter and then it was €15 million last year. That is a very substantial difference. It does not mean that we would not use furlough at all, as Christian is commenting. We still have the possibility to use furlough in certain countries, France, Italy. We will continue to do so if that makes sense but let us say it is much, much lower impact than before.

Stef Abelli: Okay and your one-off adjustments, are these the restructuring costs that you are incurring for the rightsizing of the operations? The €24.7 million year-to-date, is it just that? Is it for that reason or what is it?

Philippe Gautier: Stef this is really what we have booked in 2021. Have in mind we have booked a very substantial amount in 2020 which is over €70 million so we are expecting to be over €100 million of one-offs for 2020 and 2021 and they are very, very largely related to the termination and the costs of the social plan, bigger one being in France and also all the adjustments we did across the countries. That is what we have here and that is from the P&L point of view. Now, from a cash point of view we have been paying substantial one-offs this year, so we have paid almost €50 million so far this year. We have paid about half of the whole rightsizing that we had earmarked for 2020 and 2021.

Stef Abelli: Sorry, I am not sure I followed you. It is me and it is late. You are saying have done 50% of what you needed to do so far, €70 million last year and I think it is €25 million this year. Are you saying that there is another €95 million? Sorry, I got it wrong, I am sure.

Philippe Gautier: No worry, I will rephrase that. We are talking about in total 2020 plus 2021 we are going to incur over €100 million of rightsizing costs. We have paid about half of that so far. We have paid half of that in 2021 and we have paid as well in 2020. That was the comment.

Stef Abelli: Okay, alright. In terms of the decrease of operating expenses, is this a permanent decrease that you are looking at, meaning this is the new base or does it move with the increase in sales?

Philippe Gautier: What is important is that this is structural. We are talking about a structural decrease if you look at the rightsizing, if you look at our cost base, our real estate, fleet atc. a lot of things. Now clearly as a business picks up, we will add a little bit more personnel here and there, we will add a little bit more fleet, etc. However, we will do that in a very, very structured way.

Stef Abelli: Okay. Sorry, these disruptions that we have seen, for instance in the UK, truck drivers, are you seeing any problems in hiring people if you need them? What is the situation for you from a transportation perspective? This is the core of what you do.

Philippe Gautier: I would say Stef that relates to the comment from Christian on the inflation. The inflation is really related to some supply issues here and there. This is driving because sometimes you have some availability issues, so it is right that it is a little bit more tense, like transportation in the UK. I would say it is not really affecting our business in a very significant way but like everybody else, we are seeing that.

Stef Abelli: Alright, okay, thanks very much.

Philippe Gautier: You are welcome.

John Fusek (Global Credit Advisers): Hi, I am just noticing in the semi-public space numbers that you publish on slide 18, it is the best performance sector year-over-year and then the worst performing from 2019. I am just wondering what you are seeing now with regard to the education segment. Is that headed back towards what you would typically expect or not?

Philippe Gautier: I think a short answer would be to say if you look at the education number, we saw some improvement, but I would not say it is really meaningful because you have July/August. It is really on a low base so not super-meaningful. You have a bit of September. That is what I would say.

Christian Schmitz: I would add a little bit to that. On purpose before we gave you some information around sales per machine per day so what is actually happening in the like-for-like portfolio. Then you see the data that we have when you look at the total net sales number. When you compare that to 2019 you see that the SMD drop is actually less stark than what we have from a total net sales perspective, which also tells you that we have terminated some business here which has not been profitable in that segment that dropped out. Our machine park in that area is smaller and that is what you see reflected there. It is a very price-competitive sector and, as I mentioned in previous calls, there is business that we simply also decided not to tender for and not do at certain price levels that were probably done in the past. That is also an element of why you see that segment be more down here next to the global trends that are happening.

John Fusek: That is very helpful, thank you very much.

Christian Schmitz: I want to thank everyone for joining us today. We certainly enjoyed the opportunity. I want to thank you for taking the time. We enjoyed the opportunity to give you an update on where we are heading. I appreciate the questions, that is always good. We look forward to our full-year presentation that is coming up when we will take a little bit of a broader step back. If anything comes up in the meantime feel free to reach out to us. Angela, our Investor Relations Manager is available 24/7 and Philippe and myself of course are also available. What are we? We are available 23/7 I guess is what we operate on. Everyone please have a great day, have a good night. Stay safe with everything that is happening out there and if you have not done so, get your vaccine shot. Okay, thanks everyone and talk to you soon.

Philippe Gautier: Thank you very much.

Angela Cinelli: Thank you everyone, bye.

[END OF TRANSCRIPT]