Verallia Full Year 2021 Results

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Introduction & Key Highlights

Michel Giannuzzi

CEO, Verallia

A global leader in glass packaging

Good morning, everyone, and thank you very much for joining this call. So we are going to present to you this morning the financial results of last year, 2021. And I will start, as usual, very quickly to remind you the general presentation about the company and the fact that we are today a global leader in packaging industry, as you well know. We are the leader in Europe. And Europe last year represented 89% of our sales. We are number two in Latin America, that is represented 11% of our sales. And we are the third largest company in this industry worldwide.

On the left-hand side of this chart, you see that we have a balanced end-market portfolio. We address all the segments of the market with a strong presence in the sparkling wine and spirits businesses. For historical reasons, we are very present in the three largest wine-producing countries in the world, namely, Italy, France and Spain. And this is showing through the end-markets strong market share in our segments portfolio.

When you look at our company profile, we employ 10,000 people in the world. We have 32 glass plants with 58 furnaces. We also have nine cullet treatment centres and three decoration plants. And all together, we produce 16 billion bottles and jars every year.

Capital structure & governance evolution

So moving on now to the highlights of the year. The first thing which I think you all know about, which is important to recap, is the evolution of the capital structure during the year. You know there have been a lot of activity from our former shareholder, Apollo, that has sold down blocks of shares during the year. At the end of the year in December, you see on the chart, that Apollo is no longer present as a shareholder of this company.

We have still BWSA as the number one shareholder with 26.6% shares of the company. BWSA, I remind you, is a family office fund. The number two shareholder is Bpifrance Participations, with 7.5% of the capital share. And the third largest group of shareholders are the employees through the FCPE or directly and they own 3.5% of our shares.

You remember also maybe that we have, during the year, participated to some blocks sold by Apollo and we bought back €221 million worth of shares. And that is the 4.5% of treasury shares that we currently hold. We announced also in December the evolution of the governance. We will dissociate the chairmanship and the joint management position of the company after the AGM of 11th May 2022.

I will remain Executive Chairman of the company, and Patrice Lucas, who joined us in 1st February, will become CEO of the company after the AGM of 11th May. We will also propose to the AGM to vote for a new independent Board Member, Didier Debrosse, that will replace José Arozamena, who has decided to resign from the company.

CSR roadmap update

So if we look also on the CSR front, I think a lot has been achieved during the year. First of all, if you remember, we started one year ago in January 2021 by setting quite an ambitious objective of a CO2 reduction. We revisited this objective after the IPCC report in August 2021 to make it even higher with a 46% CO_2 emissions reduction by 2030 compared to 2019. This is what allows us to limit global warming to 1.5 degrees C. And we are currently waiting for the final composition of SBTi in terms of target calculation, but this is just an increased ambition in order to reduce our CO_2 emissions even further.

I will remind you that we have also provided to you a very comprehensive roadmap on how we are going to achieve those results. This roadmap relies on three main pillars. The first pillar is the shift of raw material mix. And in this shift, of course, we are looking at raw material that are, if possible, without carbon atoms in it. And the first and best raw material without carbon atom is the cullet, the used glass that we recycle in our furnaces. And this is why it is very important for us to keep increasing the share of the cullet that we use in our furnaces.

And I am very pleased to report to you that we made a significant improvement last year by increasing by 3.4 points the share of cullet in our furnaces. And that represents today 55% of our external cullet that we use in our furnaces. So that is, I think, a great achievement on this side.

The second pillar is to reduce, of course, the energy consumption in operations and mostly in our furnaces. And in this respect, we have also announced in January this year that we will built two electrical furnaces in our Cognac plant in France. This will enable us to basically almost half the CO_2 emissions coming from the furnaces by using some low carbon electricity that we have in France for especially flint bottles that we produce in this Cognac plant.

And the third lever that we also use to decarbonise our industry is to increase, of course, the share of the green energy. And again, we are very pleased to report that at the end of the year, we had, during 2021, ten of our plants that are using 100% renewable electricity. It is mostly in Iberia and in Brazil. So this was, I think, also quite a strong year in terms of CSR achievements.

Co2 emissions reduction: Verallia develops new furnaces technologies to support its ambition to limit global warming only to 1.5°c

Now moving more deeply into the technical matters related to the electrical furnaces. Here, you see that the announcement that we made in December 2021 in Cognac, regarding this electrical furnaces. The first furnace will start at the end of 2023, so end of next year. It is pretty ambitious target in terms of R&D development.

This is a technology that is known and used in the small glass packaging industry for cosmetics, or glass board manufacturing, but not yet for bottles and jars that requires much bigger and larger furnaces. So we are going to try to leverage the existing technology in a much bigger scale.

This is, unfortunately, technically speaking, restricted to non-coloured glass for technical reasons, but this is quite already a significant amount of our business, which is about one-third of our production all together at the Group level, and will reduce this CO_2 emissions by around 60% from the furnace every year. And of course, if it works well and depending on, of course, the ability to source low carbon electricity in other countries, we will look at the further deployment in other countries afterwards.

The second thing, which I think is quite important, is we were part of the European Consortium to develop an hybrid furnace. This was the consortium that comprised 19 glass-making companies and we have applied to access to European funds to finance this consortium and this R&D development. Although it was very good file that was presented and we were in the second round pre-selected for the final allocation of the fund, this SPV organisation that applied for the fund did not receive the fund. And therefore, the members have decided not to continue in this organisation.

But we have decided, at Verallia, to keep this project live at Verallia only. By the way, it would probably allow us to go faster because it will be faster to be fully in charge on this project. And we are aiming at starting the production of this hybrid furnace in 2024. Again, this is quite an ambitious target. And this will allow us to reduce also our emissions by around 50% versus the conventional furnaces. So a lot of projects are currently ongoing in line with our strong commitment to reduce our CO2 emissions.

Update latest ratings and partnerships

Another good news is we received, at the end of the year, the Platinum rating from EcoVadis in terms of sustainability. This is looking at environment but also labour and human rights, ethics and responsible purchasing. We got a good score of 75 out of 100. We are improving by 8 points versus the prior year. And this puts Verallia in the top 1% companies that are being evaluated by EcoVadis out of total of 65,000 companies. So I think we are very proud about again this recognition of all the things we are doing in terms of sustainability.

Social responsibility roadmap

Last but not least in terms of social responsibility. This is a short summary of all the things we are doing that you will be able to look in more detail in a few weeks when you will look at our extra financial performance report. But basically, we are, on the social side, promoting diversity and inclusion. We are increasing the share of employees with disabilities. Of course, our policy is zero accident policy in our company. And we are, as you know very well, engaged in developing further employee ownership through a regular employee ownership programmes that as of today have allowed our employees to own 3.5% of shares of the company.

Another successful year in a challenging environment

Now I know you are very keen on now moving to numbers. So let us look at the financial results. First of all, the full year in terms of revenue, we have the pleasure to report 5.4% revenue increase to €2,674 million and organic growth was 6.8%. So quite very strong growth. And as you have seen, this has accelerated quite strong in Q4 because in Q4 we have reported 10.2% organic growth compared to the prior year quarter four of 2020.

We also have the pleasure to report a good improvement in our adjusted EBITDA performance in line with the €675 million forecast that we communicated earlier in the year in 2021. We have achieved €678 million of adjusted EBITDA in the year, which is an 8.4% improvement versus 2020. And margin-wise, our margin has improved by 68 bps at 25.4% versus 24.7% a year before.

This translated quite nicely in a strong net income improvement at €249 million at the end of 2021, which is a 19% net income increase compared to 2020. And the earnings per share is €2.01 for 2021. And this is even €2.37 if we exclude the customer relationship amortisation that you know is a purely technical matter.

The net debt has been reduced to 1.9 time last 12 months adjusted EBITDA versus 2 times of December 2020. This is a strong improvement, given the fact that we paid cash €114 million of dividends during the year and we also bought back shares for €221 million. Without the share buybacks, the leverage would have been 1.54, which is also showing a very strong deleveraging capability from Verallia.

And as I already mentioned, the extra financial indicators that are tracked and most important ones that are tracked for our sustainability-linked bonds that we have issued last year, the two linked bonds that we issued last year are CO2 emissions, which nicely were reduced by 3.6% last year for Scope 1 and 2. And as I mentioned before, the rate of external cullet usage has increased by 3.4 points to 55% last year.

So all together, I think a very strong year, a very successful year, in a very challenging environment, as you will know, especially in second part of the year of last year.

This being said, I will now hand over to Nathalie, who will go through the financial results in more details.

FY 2021 Financial Results

Nathalie Delbreuve

CFO, Verallia

Strong organic growth and volumes back to 2019 levels

Thank you, Michel, and good morning to everyone. So let me lead you through our usual bridges on sales and EBITDA and then on the debt figures.

So the organic growth indeed has been really strong in 2021, plus 6.8%. And we have had especially a strong Q4 with organic growth up to 10.2%. So a strong end of the year. We have seen growing volumes, and as expected, we are really exactly back to 2019 levels, meaning back to pre-COVID levels.

In terms of price and mix, they have contributed, as you can see on this page, up to €103.8 million to the sales to the top line. Sales price important to separate Europe from Latin America. In Europe, sales prices have been flat. And you know we have annual price evolution in Europe mostly, when in Latin America, we are compensating for inflation throughout the year. So there you have sales price increases throughout the year.

The mix has been contributing positively as well throughout the year in the four quarters. The foreign exchanges are negatively impacting the top line by €33.3 million. This is all stemming from the first half of the year from H1.

And some comments by product category. We have seen all products up, except for non-alcoholic beverages and food jars, but both these categories have been growing in the fourth quarter. And just to remind that food jars had been especially boosted in 2020 by the several lockdowns with people cooking more at home. So this is more like coming back to normal levels. And sparkling wines and spirits have sharply rebounded with extremely successful years in both segments.

SWE: Recovery in most categories

Now moving to geographies. So Southern and West Europe, we have seen recovery in most categories. We have here plus 5% sales increase, and we benefit fully from new production capacities fully in the second half of the year. You know we have two new plants in 2021, one in Spain and one in Italy.

All product categories here as well has been growing, except for the food jars, that I already commented. And the still wine has been also growing strongly, spirits as well. And sparkling wines, especially strong. I mean, 2021 is really a record year in Champagne. And Prosecco in Italy is continuing growth and very popular and exporting very well. In beer, we have seen also a good recovery and dynamic sales that we benefit from. And as mentioned in Europe, Southwest Europe prices are overall stable.

NEE: Trends improving in H2 with positive organic growth

Now moving to Northern and Eastern Europe, we have seen an improving trend in the second half with positive organic growth. In the first half of the year, we have seen decrease in volumes in H1. And just also to remind, we are always comparing of course with previous year. And in 2020, Northern and Eastern Europe countries had been hit by COVID and restrictions later than Southern Western Europe. So the comparative basis is more difficult for the first half.

And in the second half, we are back to positive growth with plus 2.1%. We have seen a nice recovery in sparkling wines and spirits. Here, as well, sales prices are overall flat, so not contributing to the top line. And we have negative impact 1.2 point from the Russian rouble and also the hryvnia in Ukraine.

LATAM: Strong continued growth during the year

Latin America continues with a very strong growth, as you can read on the chart, at constant exchange rates plus 39.3%. We here as well contribute from 2020 additional capacities, also from an outstanding production performance and we fully benefit from the new capacities.

Revenue increased in all product categories, except here, as well, food jars. And in this region, we have increasing in selling prices, including Argentina, especially to cope with local hyperinflation but not only in the three countries we follow the inflation to ensure a positive spread. And the negative forex impact is mainly stemming from the first half of the year.

Leading to sustained Adj. EBITDA growth & margin improvement

So now if we move to the adjusted EBITDA, we have enjoyed growth in euro and in percentage, moving from €626 million up to €678 million, and 24.7% margin, up to 25.4% margin, which is a very nice growth.

The activity, as you can see on this bridge, has contributed positively up to €29.2 million. We benefited from a positive volume impact. And even if inventories are still low at the end of the year, I will come back to that, and lower than we expected, we have had less destocking than previous year.

This spread, you can see, is positive but slightly positive. And here, we have had several things to comment. So first, the mix has been positively contributing throughout the year and even in the second half and in Q4 as well.

Then for Q4 and H2, we had had very sharp increase in our costs. And this led to a negative inflation spread in Q4, especially we have also a low comparison basis in 2020, but we had also an increase in other costs. The inflation spread is negative in Europe and positive in Latin America with, as explained already, the continues pass-through of inflation in Latin America, which you do not have yet in Europe. So in the end, the spread ends at €4.1 million, still positive.

The PAP pillar, you can see, is contributing very significantly with €40.4 million, an outstanding performance at 2.4% cash production cost reduction and in all geographies. And you can see it contributes significantly in euro and in incremental percentages in margin.

And then the last two pillars, foreign exchange rates minus €11.2 million negative but mainly from H1. And in the other, we have minus €10.1 million. Here, with several impact, as always, but mainly two comments. We had in September a fire in Argentina that is impacting negatively our EBITDA by a bit more than €5 million, and also hyperinflation in Argentina for €8 million negative.

SWE: Margin improvement despite H2 costs inflation

So looking at this margin, EBITDA and margin by geography. So Southern and West Europe is moving from €419 million up to €453 million, that is an 8% increase in adjusted EBITDA. And if you look on the top right corner, you will see the adjusted EBITDA margin percentages. So moving from 24% up to 24.7%. So also an improvement here.

The activity has impacted positively the EBITDA, strong demand. And also, as already mentioned, the two new furnaces that we started in Italy and in Spain, allowing us to benefit from the positive activity and strong demand. The inflation spread turned negative in the second half, as already mentioned. So this is due to the sharp rise in costs.

The positive product mix in all the countries; and good industrial performance, this is the PAP I am referring to, despite difficulties in France in Q1 linked to the completion of the transformation plan.

NEE: Negative inflation spread weighting on profitability

Now Northern and Eastern Europe is decreasing in euro and also in percentage. So to comment here, we discussed the volumes and the activity, but here we see a recovery in H2 after a slight decline in H1. And the spread is negative in Northern Eastern Europe as well. Same pattern as for Southern and West, I mean, rising costs and flat prices.

And what is important to mention that industrial performance is in line with the cost reduction objective and so contributing to the EBITDA here.

LATAM: Significant margin expansion

Now moving to Latin America. You can see the significant margin expansion. We moved from 33.8% in 2020 up to 35.6% in 2021. And in euro, the adjusted EBITDA moved from €80 million up to €108 million. And if you take out the exchange rates, negative impact would have been €118 million. So really an outstanding performance in 2021 for Latin America.

And here, our three pillars fully deliver, meaning we enjoy strong growth in sales volume. The market is dynamic, and we had the effect of the 2020 capacity extension as well. Positive inflation spread throughout the year and outstanding industrial performance.

Also to mention that in H1, we benefited from specific measure ICMS tax credit, that is €7 million, but on the other side in a negative part we had the fire impact in Argentina in Q3.

Smart CapEx policy supporting organic growth and ESG roadmap

So moving to CapEx and cash now. You know we are very keen into having a smart CapEx policy. So you can see here our total booked CapEx as percentage of sales are 9.6% for 2021. This we want to stay into an envelope of around 10%, so we are absolutely in our objective. And this includes €15 million for our new furnace in Jacutinga in Brazil, and also we start to have investments for our CapEx roadmap in order to reach our CO2 emission reduction objectives. So this CapEx includes €13 million of this CapEx.

Very strong cash-flow generation

Now cash flow generation has been very strong this year. Again, you can see here the operating cash flow construction and also the free cash flow. Now, it starts with a growth in adjusted EBITDA in the first line, of course, in euro contributing. Then we have a high level of cash conversion, 62.2% in 2021 with the CapEx well under control.

We have had significant positive change in operating working capital with €80.5 million. And here we have had, in fact, stock valuation. You know our stock. We did not succeed into rebuilding our stock as high as we would like. So we have a negative valuation of stock but not so significant, only minus €17 million. And then for receivables and payables, they have been contributing very positively to our working capital.

Overdues, important to mention that they are very well managed, have been stable and at a very low level in 2021 in all the countries with this year again. So operating cash flow ends at €502.3 million, improving versus 2020.

And then to move to free cash flow, we have other operating impacts that include IFRS 16 impact that is overall stable every year between €18 million and €20 million. This is minus €18 million in 2021. And several impact that are not in the adjusted EBITDA that have a cash effect, such as the cash out for transformation plan in France and the Phase III settlement for CO2. So that leads to other operating impact of minus €39.8 million.

Then we have interest paid and other financing costs, minus €41.8 million, increasing a little bit versus 2020 due to some forex and also costs linked to the two sustainability-linked that we raised in 2021.

And finally, cash tax, minus €91.4 million. And here, we have a normalised effective tax rate of 26.6%. And in 2020, we had positive impact of patent box in Italy for €10 million, plus the increase in value is also linked to the increase in the results just basically.

This ends with a free cash flow at €329.3 million, so very strong and high conversion of our operating adjusted EBITDA into free cash flow.

Leverage < 2x after dividends and €221m of share buybacks

So leverage is below 2 times. And important to note is after dividend payment you remember in 2020, part only of the dividends had been paid. The other had been converted into shares. In 2021, the full dividends has been cashed out for €114 million. And we have performed several share buybacks for a total of €221 million. So, as you mentioned, Michel, excluding these share buybacks, the leverage would have been 1.54 times. So deleveraging of 0.5 times, five turn since 2020.

And the fact that we are below 2 times allows us to benefit from 25 bips lower interests in our TLA and RCF. So that is a positive impact in our financing cash up.

Diversification of funding and lengthening of maturities

And now to finish with this picture of our funding. 2021 has been a very busy year for us into a diversification and lengthening the maturities of our fundings. When we had one significant term loan A with €1.5 billion, as you can see on this chart, we are now very well balanced between bonds. Two sustainability-linked bonds have been issued this year.

And we have now a maturity between 2028, 2031, 2024 when we all had in 2024. And the liquidity is very comfortable at €844 million.

Conclusion & 2022 Outlook

Michel Giannuzzi

CEO, Verallia

Strong 2021 performance

Well, thank you very much, Nathalie. As a summary, I think we are really pleased with this strong performance of last year, especially given the huge surge of energy costs that started in September-October last year with a very significant impact on our Q4, of course, EBITDA.

And despite this, we have maintained very strong performance in all respect in top line growth in EBITDA in line with the guidance that we gave you middle of last year. And also in the extra financial indicators the two, I repeat, main KPIs, that are being used in the sustainability-linked bonds that are CO2 emissions and external credit usage rates, have also very nicely improved last year compared to the year before.

As a consequence, we are going to propose to the Annual General Shareholder Assembly to pay a dividend of €1.05 per share to all shareholders, which is a 10% improvement or increase versus the prior year, which was €0.95 and this is in line with the guidance that we provided during the Capital Markets Day of October last year.

Unprecedented inflation in energy costs

Now, let us move to now the very interesting outlook of 2022. Before I am not able to forecast all these curves going forward, but I just wanted to maybe put things in perspective. And we have gone back on both for main energy components, the Brent natural gas electricity and indirectly linked to energy, the CO2 quota prices. I went back to 2007. So over 14 years period, you can see the evolution of these curves.

The Brent has been up and down, but you know we use directly very little Brent or curated energy. It is mostly indirectly through our transporters that we see the impact of this Brent increase. However, you know very well that our industry is quite energy-intensive and the two main energies we use are natural gas and electricity. And when you look at the spikes that we have seen in Q4 last year, both for natural gas, electricity and consequently for the CO2 quota prices, this is just unbelievable.

I mean, this is a never seen increase in such a short period of time of energy costs and indirectly of CO2 quota. I mean, CO2 quota has been – almost reached last week €100 per tonne coming from around €18 to €20 per tonne not so long ago. So on top of this high and unprecedented inflation factors, you can see that there is also a huge volatility. And that is why I think it is important to see that not only it is a huge surge in those costs, but there is also still a lot of volatility in what is going on there in the market.

Now you know very well that we are hedged for 85% of our needs for 2022, for this year, but we still have 15% which is unhedged. Now, this 15% not hedged are exposed to those short-term energy price variations.

2022 outlook

And it is not just a question of demand and supply. This is also very much driven also by some geopolitical considerations. Therefore, the outlook that we are going to provide to you today to you is, first of all, based on few assumptions. The three assumptions that we have taken is the fact that we seems to be exiting for the hard lockdowns linked to the COVID-19 pandemic, and we seems that things are normalising step by step. And therefore, we do not expect another wave of another, I mean, Greek letter impacting the people health. And therefore, that is one of the assumption we make.

We make the assumption that the inflation cost and geopolitical context do not deteriorate forever. You will know every day in the last few days, this has been extremely tense in terms of what is going to happen, especially in Eastern part of Europe. And this is, of course, creating some volatility, as you all know, in the markets.

So based on those three assumptions, we are going have a strong growth of annual revenue, given the fact that we are going to increase our prices around 10% as we mentioned before at double digit. This is needed to, of course, mitigate the strong impact of production cost increase, mostly coming from energy with the aim at some point to achieve a net zero spread that this is, of course, still to be seen, depending on how the energy price evolves in the future months.

And as a consequence, we are aiming at having at least a €700 million of EBITDA in 2022. Of course, going forward, in the next quarters, we will be probably able to give you a more precise guidance when we see things stabilising at some point in time, especially on the geopolitical side. We hope that at some point in time things will get clearer and less volatile.

And last point I would like to highlight is the fact that mathematically the strong increase in revenue due to the strong price increase to offset the cost inflation is going to be dilutive on the EBITDA margin. Just mathematically speaking, and this is I think in the appendix, you see that all things being equal, if you want to compensate the 10% increase in cost, if you want to offset it by the current price increase, this has mathematically a dilutive impact of 180 basis points on the margin of the EBITDA margin. So this is something, of course, to be understood, which is highlighted here.

On the top of this, we will keep working very hard to implement our roadmap related to ESG, and more precisely, around environmental performance, KPIs, like CO2 emission reductions and like the external cullet usage rate. As you have seen, we are committed to keep improving on these two KPIs as committed to during the SLB, the sustainability-linked bonds that we launched last year.

So that is for the presentation. I would like to maybe open your discussions on the Q&A session.

Questions and Answers

Matthias Pfeifenberger (Deutsche Bank): So firstly on pricing and on the price cost. But I mean, it has been neutral, negative in the second half in most parts of Europe. Are you not a bit underwhelmed by that, not really satisfied? And how are you making sure that the price cost spread will be rich this year. You just alluded to that. Probably you are going to go for a positive price cost towards little end of the year. Why is that the case? I mean is that just philosophically you are not trying to overburden your customers and you are working on the EBITDA improvements on the self-help side and that is enough, because it seems like you are holding a lot of cards when it comes to pricing like everybody is sold out, record shipping volumes, probably more efficient hedging than some of your peers. So why is now the price cost spread guidance more moving towards neutral rather than tangible positive like you had it before?

Michel Giannuzzi: Good morning, Matthias, and thank you for all these questions. First of all, we have a lot of comments and questions, so I will try to answer them all, and if not, just do not hesitate to ask again.

First of all, regarding last year, in Europe when the huge surge of energy took place in Q4, you know very well that in Europe the prices are fixed for the full year in most cases. So only with few customers and distributors we have been able to immediately react and increase prices in Q4 last year, but for most customers, the annual price negotiations takes place between October and February and are applicable as of 1st January. Therefore Q4, we had the prices that have been set at the beginning of the year and the energy cost that especially for the not hedged part of it, that was unfortunately hitting the P&L in Q4.

And all this led to a negative spread in Q4, which was somehow difficult to avoid. I mean, there was an opportunity to avoid it. It was too short term to react, given, I repeat, the magnitude of these inflation on energy costs, because even if we are hedged, as you know for 85% of our volume, if I just take the gas price, it moved from €21 per megawatt hour in Q2 last year to €80 per megawatt hour in Q4.

So you can imagine less than six months its times four. So times four on 15% non-hedged gas, for example, you can imagine has a significant impact on our cost base. And I repeat, it is not the fact that we are holding cards or are not willing to go to the customers. We have done it, but with many customers, the negotiation was basically to prepare 1st January new price. We had very few opportunities to renegotiate Q4 prices.

Matthias Pfeifenberger: But it is exactly the point. So now for 2022, you are talking about for it to not to be clear at this stage if there will be a positive price cost. So the question is, quite frankly, why do not you raise prices more?

Michel Giannuzzi: Okay, I will come to it. So I was answering first part of Q4, to clarify your comment about Q4, which I believe needed some clarification.

Now regarding 2022, as a story, and again, I think we are exactly in line with what we discussed during the Capital Markets Day and later on during the presentation of the Q3 results back in October last year. Our goal – and we started to anticipate the fact that there will be a huge cost increase in 2022 – our goal is to have a neutral spread, which is by itself quite a challenging goal. Because when you look at this kind of inflation, adding a positive spread is, I think, quite an achievement. And by the way, as a reminder since the IPO, we always said that our goal was to have a positive spread. In reality, we have always been able to do better than this. When we look back in our history, we have always done better than positive. But the three pillars of this business model that we have set up for Verallia is based on a positive spread. And 2022 will be, of course, a lot more challenging to achieve a positive spread, given these kind of inflation that we have in front of us, and despite, of course, the hedging that we have in front of us.

Now, you could say, and this is your point, why just increase prices for more than 10%, go for 15%, 20%, 30%. Fair enough. There is, at some point in time, also resistance from our customers. There is a competitive dynamics also with the other competitors in this marketplace. And really, I mean, reaching double digit price increase, which is what we had told you was our goal is, I think, already coming from the history of no inflation.

In Europe, there has been no inflation for many years. It is already seen as a great achievement and a great challenge for our customers. Now some of our customers will not be able to pass the same amount of price increase to their final clients. And again, I mean, we are here for the long term and it is a negotiation at the end.

Matthias Pfeifenberger: Fair enough. Just bit nailing on this a bit more. Last time you told us you are approaching the clients with a spot costs, but you are hedged at way below spot rates on energy. And then also when I look at Pernod Ricard for instance, they are guiding for higher margins. So it seems like they are well able to digest higher packaging costs, which are only like 3% to 10% of the total cost of the beverage anyway. So is not it a bit like looking on to too much for the client? But maybe we have talked about this enough. Can I come back to a second topic which is the margin?

Michel Giannuzzi: Sorry, can I just make the comment on this comment? I think your comment is a fair comment. It is a good comment. But in our customers we are number one in Europe. Okay? And as you know very well, we address all end-market segments from the premium customers with the premium products to mass market products.

Now, on premium, you are absolutely right. On the premium products, our customers are able to, because they have the pricing power, they have the marketing strengths, they are able to price to their final clients the cost increase, the price increases that they want. And therefore, there will be less price sensitivity for the premium customers. And good enough for Verallia, we are pretty well positioned for the premium segment. But I remind you, based on the just Capital Markets Day presentation, the premium segments were, roughly speaking, represents only 15% of our sales in Europe. The 85% of our sales are on the mass market segments. And here, the price sensitivity and the ability of our customers when they deal with, for example, the big retailers or the big distribution companies, their ability to pass the price increases is much more limited. And therefore, I mean, it is a mixed bag of different customers.

Matthias Pfeifenberger: Fair enough. Just two remaining topics. Margins, you alluded previously that the technical dilution could be 100 bps, something like that, and that you would work against, that was self-help and restocking and volumes and probably a bit of price cost. Do you still stand by that?

And the last question is the hybrid furnace. Why was this cancelled? I mean, it is so many companies that have already done press releases about aiming to engage in hybrid furnace concepts and not cancelled?

Michel Giannuzzi: Well, the first one on the margin, I will let Nathalie maybe answer this one.

Nathalie Delbreuve: Yes, on the margin, Matthias, I can confirm, yes, we have the adverse impact in really mathematical impact of the dilution. And as Michel explained, just mathematically pushing the costs to ensure positive spread and raising prices by 10% is dilution of 180 basis points. But you are right on the other, in the positive way, we still have of course our PAP. And you have seen that we continue to deliver very strongly on the PAP. The 2021 was, again, a very strong year. And yes, we expect a positive activity still as well.

Matthias Pfeifenberger: Okay. So could this be to 12-13% top line growth including volume and then maybe, 80, 90 bps of margin dilution? Too early to tell?

Nathalie Delbreuve: Yeah, it is early to tell.

Michel Giannuzzi: Well, this is probably a bit early. We are only 17th February, Matthias. This is why we are saying we provide you already the guidance, which I think given the volatility and uncertainty of the market, is a challenging exercise. We provide you a guidance today, which, of course, will be more precise in the coming quarters. I mean, as some elements of volatility and uncertainty disappear, we will be able to firm up our guidance. But, of course, as soon as we see more clearly the geopolitical context evolving and the prices at some point stabilising, we will be able to give you a better guidance.

Now regarding the furnace, your question. This consortium that was set up at the European level with 19 glass-making companies was a very strong and very new initiative, very innovative initiative. But it was based on the objective that this consortium will get some grants, with the European Commission put aside €1 billion of grants for decarbonisation project.

And unfortunately, despite the good work done by the consortium, the consortium did not receive the grant. And therefore, the burden for all members of the consortium to finance this project was considered by many smaller players than Verallia, indeed, as too expensive. And therefore, people decided to stop the consortium. And our position is to say, okay, we will carry on this project alone. We will develop the R&D alone.

And this is not at all reducing our ambitions in this topic, but just the opposite. I think we will go faster by developing the project alone than with the consortium with 19 companies that is always a bit harder to manage in terms of speed and flexibility.

Lars Kjellberg (Credit Suisse): Just continuing on the same theme about furnace of the future. It is kind of difficult to understand the keyword consortium of companies not finding get longer financially viable. And you talk about some companies felt it was quite expensive. So what does that mean when you go alone? What sort of costs are you shouldering to develop this technology? And what sort of risks are associated with that? That is my first question.

Also, if you can share with us how you think about the market outlook for next year in terms of you have mentioned prices, of course, right? But if you look at volumes, you are essentially now back to pre-pandemic levels, which I assume was about 2% growth in 2021. But that means essentially you have two years with zero growth. So how should we think about European growth as some sort of normal trajectory?

And the final one would be on CapEx for 2022 and how do you think about the new technologies? Is that an incremental CapEx that you need to spend now versus the 10% you have already spoken about?

Michel Giannuzzi: Thank you, Lars. Good morning also to you. Regarding the first question about the hybrid furnace, I think it is pretty easy to understand. One company in the consortium was supposed during the consortium project time to develop the furnace, and it was an industrial project. In this case, it was a project where this furnace would produce bottles that will be sold. So the company would have an additional cost of R&D, and additional cost of CapEx and OpEx. But the company that will, of course, develop this furnace will enjoy the revenues and the margin of these products being manufactured in this furnace.

All the other 18 companies will only access to the know-how. So they were paying, basically it is pay to see. They were paying to see the efforts and the R&D results made by this company that took the responsibility to develop the furnace of the future. So therefore, it was somehow you can say it as a cost to learn from the company that was going to develop the furnace.

For us, the fact that we do it alone, of course, will probably be a higher R&D cost to develop it. But in terms of CapEx, it is probably more expensive. It is, not probably. It will be more expensive than traditional furnace indeed. But we will have, on the other side, the revenues and the margin for these products.

And you can count on us to be able to use the fact that these articles, these products that will be produced in this furnace with 50% less CO2 emissions, we are going to, of course, part of our pricing strategy, value these for our customers because I think that has a value, and therefore we expect to get even a higher price to reflect the higher costs that we will see with this new technology.

So all together, we will take care of the R&D with our own R&D team. By the way, we are one of the two companies that have in-house design teams for furnaces. So we have the capability and expert that know-how to design furnaces that we do not even need to subcontract the R&D activity to third-party, and we will get the nice revenue stream and profit from these new furnaces, which was not the case in the previous consortium situation.

Lars Kjellberg: So kind of follow-up question, if I may on that. Technology itself, what you have seen from, I guess, Ardagh was building this thing, is that is functioning technology at present, or do you need to develop that technology before you get cracking on actually building the furnace?

Michel Giannuzzi: Well, again, it is a bit like the electrical furnace to some extent in a different situation. But we are at the limits of what we have ever done. In other words, the issue is very industrial. Technically speaking, we think it is feasible. And of course, we have a great confidence that we will find a solution, but it has never been done before.

So therefore, we will probably encounter some challenges, some technical challenges that our teams will have to, of course, face and solve. But it is beyond the limits that we have currently applied in our design expertise, if you want, furnace design expertise, otherwise, of course, we will be less confident and we will probably not communicate on something that we do not think we can do. So that is something that we believe we will be able to, of course, set up and run in a mass production environment in the years.

So regarding your second question, the market outlook. You have seen us – again, I refer to the Investors Day, the Capital Markets Day back to October, this European market has been growing steady at more than 2% per annum in volume. Right now, I have to say and that is something also that somehow Matthias alluded. We are sold out, as you know, since last year. Actually, since middle of 2020 we have been sold out. So we are producing as much as we can to deliver to our customers.

The market is still very strong in Europe. It is buoyant in Latin America, as you well know. And that is where we are going to put two new furnaces next two years in Latin America. We will put the first furnace in 2024 in Italy, because we believe that this market is still growing at least at 2% volumes per annum. And our goal is really to enjoy this market growth in the coming years and especially in 2022.

So back to the numbers, I mean, we are going to get double-digit revenue increase because of the 10%-ish price increases and also some volume increase which we expect to be around 2% in Europe.

Regarding the CapEx, I will let Nathalie answer the question about the CapEx.

Nathalie Delbreuve: Yes. Thank you, Michel. So regarding the CapEx for 2022, we aim at keeping around 10% of sales for total CapEx, as we guided, and we will be keen to stay around 10%. And this includes, in fact, the CO2 CapEx roadmap, which we communicated in January 2021 with a roadmap of €180 million for the next ten years. So it is an envelope between €15 million and €20 million per year. And this also includes the end of Jacutinga. So, it is all included. So around 10% again.

Lars Kjellberg: And there is no consideration to the surge in revenues that would come slightly below 10%? Or is it just that things are more expensive and is still going to be around 10%?

Michel Giannuzzi: Will be around 10%, probably a bit north 10%. Last year, we were below 10%, 9.6%. We are a bit higher than 10%. But it is between 10% and 11%, I would say, not more. And this is all included.

Guillaume Muros (Société Générale): I have two questions. First one will be on the general situation for other European players on this inflation context. Are you seeing financial situation deterioration that other players that cannot possibly pass on the same price increases as you are? And would you be keen to benefit from the external growth opportunities, given your solid cash position? That is the first one.

And the second one more on ESG. Are you planning your new CO2 reduction targets to link them as well to your capital structure through ESG-linked bonds?

Michel Giannuzzi: Okay. Good morning, Guillaume. Thanks for the questions. Regarding the financial institution of our competitors, it is too early to know exactly what the financial impact on our competitors. And I remind you that we can only easily access the listed competitors. There are many competitors in Europe that are family-owned and privately-owned and that are not necessarily publishing their financial results.

But one thing for sure is that many competitors are suffering. Just give some examples that are public information. One of our German competitor decided not to start one of its furnaces, brand new furnace that they have built, because they thought that the cost of energy was so high that it will not be a profitable thing for them to start. We have seen some serious situations in other countries where people decided to slow down, especially in Eastern Europe, production because of the high cost of energy.

So it is certainly hurting everyone. This huge surge of energy cost is hurting everyone. As we said, we believe that we are well-positioned to take opportunity of acquisitions in the case these companies will, at some point, be open to discuss and sell their businesses. So we are, of course, going to be very, I would say, close to the market in order to understand what opportunities this could create.

Regarding the second question, I will let Nathalie answer.

Nathalie Delbreuve: Yes. So our two sustainability-linked bonds, indeed, they are aligned on already the trajectory that we communicated in January 2021, but using an intermediary target of 2025 that is already corresponding for CO2 emissions to 15% decrease versus 2019 and with a target of cullet rate up to 59% so by 2025. So we are already fully aligned in that respect.

And in terms of financing, as you could see, I have shown, I believe we are now pretty well balanced between the debt market with €1 billion, two bonds of €500 million, and bank financing and all those two things. So not sure we will run for another SLB in the short term. And on top of that, we are very pleased that we did these two SLB and the timing for us was good decision looking at the caps of the interest rates currently.

Francisco Ruiz (Exane BNP Paribas): I have three questions. The first one is again on inflation. So keeping the current situation in terms of energy, could you give us an idea of what would be your cost inflation for 2022, if everything remains as it is right now? I mean, I do not know if the inflation that we have seen in Q4 in something like around €65 million in the quarter could be a good indicator at least for the first three quarters of the year.

The second question is on the working capital, which has performed especially well last year with inventories as you say at low levels, but a very good improvement in receivables and payment date. So could you explain us a little bit what was the reason? And you could give us the detail on off-balance sheet factoring at the end of 2021?

And the third question is on the electrical furnaces in Cognac. So could you comment if this will imply an extra CapEx or you are sticking to this 10% I do previously mentioned? And if there is an additional capacity or this will substitute assisting furnaces?

Michel Giannuzzi: Good morning, Francisco. Thank you very much for your questions. I will start with the last question.

Regarding the electrical furnaces in Cognac, the idea is to replace a furnace which will come to the end of its life in end of 2023, beginning of 2024. So therefore, we will put – why did we say two electrical furnaces? Because the production capacity of two electrical furnaces corresponds, equalises the existing conventional furnace capacity. Therefore, it will be a substitution to make it clear. So it is not additional capacity. It is a substitution.

And in terms of CapEx, this is factored in the 10% each CapEx on sales ratio that Nathalie mentioned just a few minutes ago. So it is all included into this ratio.

Francisco Ruiz: Could you give us an idea of vis-à-vis the CapEx of electric furnaces or replacing with an electric furnaces or a normal furnaces, how it is compared?

Michel Giannuzzi: It is a bit early to be honest with you, because our engineers are still working on the precise design of the CapEx. We know for sure it is going to be more expensive, but how much more expensive it is, I do not know. But given the fact that we spend around €250 million of CapEx every year, I mean, if you look at the extra CapEx that it represents, it will not be materially impactful in terms of total CapEx spent by the company. But it is more expensive than a traditional furnace.

If you take the traditional furnace, it is around €10 million to €15 million investments. This will be probably north of €20 million. But I do not know exactly yet how much it will cost. Okay.

Regarding your first question, it is harder to give you an answer on the cost inflation. First, because you know very well we do not want to disclose at which price we have hedged the energy costs. You know we have a very automatic hedging policy, which is non-speculative, but we do not want to disclose this information for competitive reasons. So we are not going to be able to answer this question unfortunately.

And I will let Nathalie answer on the working capital question.

Nathalie Delbreuve: So the working capital, so to comment first the variation in 2021 for you, Francisco, the inventory kept low at the end of the year compared to 2020. And in fact, we have a slightly negative impact in the WCR variation, but it is €17 million. It is limited and it is mostly due to some inflation in the production costs.

Then receivables have been really strong. The balances were really strong at the end of the year. Again, I mentioned that we had a very dynamic Q4, especially compared to December 2020. Here, we had better sales. So the balance of receivables at the end of the year is higher. And we had partially some price increases, if you think of Latin America, but also little bit in Europe and a good mix. So the balances were well quite good.

You asked about factoring of this receivable here. We are in the same programmes as before. So just you will see in the notes to our financial statements, the non-recourse balance that we factor was in 2020, €302 million. It is €335 million at the end of 2021. The increase here again is more linked to the increase the balance of the receivables, the position that we had at the December but no change in our programmes or policy.

And then eventually the payables to the suppliers went significantly up due to inflation at the end of the year. So the variation here is a very positive for us.

So for 2022, again, our target, especially on inventory, is to rebuild inventories. So here we secure a negative impact if we succeed into rebuilding these inventories and we have room in our free cash flow generation to do that.

Francisco Ruiz: Can I do a follow up on inflation? I understand that you are not disclosing the energy cost inflation. But could you give us an idea of this €55 million per quarter of cost inflation, which is something like around 12%, overall, not only in energy cost inflation for the year. It is reasonable or not?

Michel Giannuzzi: Well, I am sorry, Paco, I would not be able to give you more precise information. As you can understand, it is a very sensitive information that we do not want to disclose, because that will give you the information. But you know we are hedged but as we said always, this is not something that is going to disclose to our competitors. We already disclosed a lot about our hedging policy. We do not want to disclose the level at which we are hedged.

So, unfortunately, you will have to make your own assumptions on this one. But based on the fact that we will be above €700 million EBITDA based on the fact that we have a little bit of growth and a little bit of PAP also, not a little bit, PAP at €35 million, I am sure you can find out what will be the impact. Having in mind that we are always with this €700 million of floor EBITDA, we are always a bit cautious on the exchange rates.

You know that in the last four years, every years we had a negative headwind on the exchange rate side. This year, there would be elections in Brazil. We do not know what the exchange rate impact would be. In Eastern Europe, with what is going on in Russia and Ukraine, we might see some volatility on the currency side too.

So therefore, one of the reasons why we start the year with floor in terms of guidance is because we have also to bear in mind that we could have a negative impact on the exchange rate and that we have included in our guidance.

Jean-François Granjon (ODDO BHF): Four questions on my mind, please. The first one, could you comment on the mix positive effect you mentioned in 2021? Could you give us more colour about the positive mix effect in 2021? And what do you expect for the mixed effect in 2022?

My second question concern so the trend for the EBITDA margin in 2022, yes, I well to understand. Could we expect an EBITDA margin between 23% and 24%. Do you think this is a well magnitude for the EBIT margin in 2022 to impact the mechanical impact of the past increases for the sales?

And my third question regarding the PAP plan. Do you expect less than magnitude I would say €35 million positive impact from the PAP programme compared to €40 million last year?

And my last question, due to the pressure on the EBITDA margin, are you comfortable with the long-term target for 2024? You mentioned during the Capital Markets Day to expect between 28% to 30% for the EBITDA margin.

Nathalie Delbreuve: All right. Thank you for your questions. I will answer the three first. So your first question is on mix. So indeed, mix effect has been positive throughout 2021 and in all quarters, and again, quite good and strong in Q4. I mean, we have seen a rebound as we commented in some segments where there are more premium products like sparkling wines and spirits and also some premium still wines.

But also one important point to have in mind is as part of this mix is linked to the shortage that we have and the difficulties we have to serve all the demands of our customers, so then we do some selection in the production and try to serve the highest margin and a better mix to improve our mix voluntary on this one.

So for 2022, what we featured is more neutral mix, because this has limits and we believe it would come back to more normal mix for 2022.

Then second question on the trend of EBITDA margin. Here again, we said there are adverse impacts, the dilution of pushing prices, pushing inflation and offset by our PAP. So you were mentioning 23%, 24%. I would say more around 24% on this one.

Then your third question about the PAP. We explain always but we do in fact deliver steady improvement in the PAP. So yes, the answer is yes. You can count at least €35 million of PAP improvement. Indeed, we did even deliver more than €40 million in 2021. We will try to deliver as much as possible. But the €35 million for us is the minimum.

Michel Giannuzzi: And I will take the last question, Jean-François. The long term target of 28-30% in EBITDA margin is clearly maintained, although, as you understood, we did not anticipate the first year, which is 2022 to have so many headwinds, and especially the mathematical impacts of the strong price increase impacting negatively the margin. But we are still eager to achieve these kind of levels by 2024.

Peter Testa (One Investments): I would like to just try to understand a few things on the timing factors around price and hedging. Can you give a sense please just on the hedging, whether there is a particular degree of that 15% that is open is different H1 and H2? And then on pricing, you mentioned obviously try to get the prices to start from 1st January. Should we regard that as all of the pricing is coming through 1st January? Or will it phase through the period?

Nathalie Delbreuve: So on hedging, in fact, we have really a systematic approach quarter by quarter. So to answer your question, no, there is not specifically a big discrepancy between H1 and H2, to answer your question.

Michel Giannuzzi: Regarding your question on price increases, Peter, and I repeat this, is Europe and Latin America we increase prices anytime during the year. In Europe, most contracts are annual-based contracts, where price increases in most cases are applicable 1st January, but not always. Okay. Sometimes it is end of March, it could be April. But I would say the bulk of it, I do not have a precise number but I would say more than 80% of them are applicable as of January.

However, let us be clear, because we are in extraordinary situation today, should we see an additional extraordinary situation going forward, we might, and we have already told our customers, we might come back to them again middle of the year. So depending on how things evolve going forward, we might go back to our customers during the year of this year, which has not been done in the past, if we need to.

So the bulk of the contracts will be applicable from 1st January. I would say roughly speaking more than 80%, and about 20% of the contracts will be spread out during the year during the next month. I would say not during the year but during the next month.

Peter Testa: Okay. And when you say you make an assumption on – for the year on the unhedged part, are you using the current prices for those three key inputs or something different for the full year?

Michel Giannuzzi: Yes, we are assuming more or less the current level of energy prices.

Nathalie Delbreuve: Yes, absolutely.

Peter Testa: And then I had a question just on understanding volume impact. Obviously, had a good volume in Q4, probably people are not letting you build inventory holding on ahead of the price increase maybe. But last year, you also had the furnace rebuild loaded impact in H1, particularly Q1 and some in Q2. And I was wondering whether if you look at the volume impact as you start the year with the timing of the furnace rebuild, whether we should think about something different in terms of phasing or volume impact, net-net with the rebuild?

Michel Giannuzzi: No, this year we will have a more normal suite of furnace repairs throughout the year. Last year was very different compared to 2019. It was a complete swing of furnace repairs of 2019 and 2020. Therefore, it made the difference quite big from one semester to the other. This is no longer the case this year. So this year, we will go back to something much more balanced between H1 and H2. So you should not see big variations due to furnace repairs.

Jordan Meighan (BNP Paribas): So I have got two. Firstly, on close to €300 million free cash flow this year. You are targeting another €600 million in the next two years to get to your cumulative target. We had some one-off buybacks from Apollo's share sale. I think even if you increase the dividend by 10%, there is still a decent chunk of access to the cash flow left there, if that materialises. So my question really is, is how do you plan to allocate that?

And my second question connected to that slightly slide 23. You know that you are on an investment grade trajectory. I am just sort of wondering how important is that to the company as the target?

Michel Giannuzzi: Good morning, Jordan. For the first one, regarding the cash flow, clearly this year we are going to, of course, as usual, generate a lot of cash, although as Nathalie mentioned, this year we will have probably to rebuild inventory. So therefore, we would not have as strong contribution of inventory decrease that we had last year and the year before.

But having said that, we still generate quite a lot of cash. This cash will be used, first of all, to finance our CapEx, as we said before. And it will be probably a bit higher than 10% this year. It was a bit lower than 10% last year. It will be a bit higher than 10% this year.

Secondly, as we mentioned before, we will look at acquisitions. So we hope to be able to make some acquisitions and that will be the best use of our cash, because we believe we can create a lot of value to our shareholders going through acquisitions. And this is, of course, after having paid the €1.05 per share dividend in May.

And if we still have excess cash on hand, we might consider share buybacks, but frankly speaking with all the share buybacks we did last year, probably that will not be a short term necessity or short term needs, if you want.

And regarding the commitment, the fact that we want to be on an investment grade trajectory is not a commitment per se. Just the fact that mathematically speaking again, with all the cash we generate we should deleverage this company in a way that should please our debt providers.

Matthias Pfeifenberger: Two additional ones. So firstly, can you maybe comment on Russia, Ukraine, any exposures? And then maybe on the separation of the Chairman and CEO function, Michel, do you want to comment at all? Maybe give us some background in terms of your commitment to the company, maybe also with regards to some increased capacity to look at strategic things like M&A? Is that part of the consideration?

Nathalie Delbreuve: Okay, Matthias, I will take the first one. So, in Russia, we have two plants. And the sales are below €100 million. It is around €87 million and €90 million sales that we have in Russia with a positive EBITDA. So this is the exposure. And in Ukraine, we have one plant that is not politically exposed region.

Michel Giannuzzi: It is on west part of Ukraine, close to the Polish borders. So it is very far from Kiev.

Nathalie Delbreuve: Absolutely.

Michel Giannuzzi: It is less than 1%.

Nathalie Delbreuve: Right. it is less than 1% of activity. The total sales are above €50 million.

Michel Giannuzzi: And regarding the separation of responsibilities at Board level, as I communicated, I will stay close to the company, not going to take another CEO position in another company. And my main primary focus, of course, beyond the fact that we need to – of course, there is quite a lot of work to do to manage the Board, given all the regulations that the Board is going to face; my main say priority would be to work on strategic topics and especially on the M&A side. As we mentioned before, it requires time to get close to the company that potentially could be interesting to buy. And we will work together with the company to, of course, see if we can accelerate our acquisitions as we would like to.

Alexandra Baubigeat Boucheron: Okay. Thank you very much. I think we have questions on internet, but most of them have been already answered. So I will read them very quickly, and I think it will be pretty fun.

The first question on profit margin, EBITDA margin in LATAM seems structurally higher versus Europe. Is this caused mainly by the fact that prices are negotiated more often and with more flexibility in LATAM versus Europe?

Nathalie Delbreuve: Yes. So for Latin America, as I explained, we have really fully benefiting from our three pillars. So there the market is really strong. The demand is strong, and the market is short of glass. So we benefit from that fully. The activity level, the operating leverage is good. The performance in the plants is very good. And indeed, we pass through the inflation to sustain the margin. So that is the explanation about the strong performance.

Alexandra Baubigeat Boucheron: Thank you very much, Nathalie. One that has not been covered, an interesting question. Please, let us know how your contracts are structured immediate pass through or with annual or quarterly negotiated.

Michel Giannuzzi: Yeah. Just to remind everyone, again, we exclude Latin America where we renegotiate prices as often as needed. In Europe, more than 80% of our contracts, it is a repeat business, are annual based contracts where every once a year usually and rarely more, we negotiate volume and prices with one customer. And that is locked for the year.

Now there are less than 20% of our contracts in Europe where we have long term agreements. Usually, it is three-year agreement where we have formulas or pre-agreed price increases. And when we have formulas, they are based on indexes. And these indexes are revisited once a year to take into account inflation factors. And that makes the prices being adjusted only once a year.

I know it is quite different for North America, where they have quarterly adjustments but in Europe the practice is you need to have a manual adjustment on price.

Alexandra Baubigeat Boucheron: Thank you very much. And the last one maybe, what is your feeling on 2022 consensus of EBITDA around €730 million? Is that completely out of reach or is that feasible?

Michel Giannuzzi: Well, I do not like so much commenting the consensus. But I think the main take-away on this topic is the fact that we provide a floor of €700 million. Given the fact that there is still quite a lot of uncertainty and volatility in the marketplace, of course, we will do our best to do as usual as much as possible. And we will be able to provide a more precise guidance in the quarters to come. So the next rendezvous, the next time we will talk about it will be in April when we will close the Q1 results.

And then usually by mid-year by July, we are able to give you a pretty good guidance and hence what we did last year. If you remember last year in July, we upgraded the guidance from €650 million to €675 million and we ended up very close to €678 million. So hopefully things will normalise and stabilise little bit going forward. And we should be able to give you more precise figures in the coming months.

So this being said, I think I would like to thank you all for your participation to this call this morning. And I look forward to talking to you again in the next future. Thank you very much. Have a good day.

Nathalie Delbreuve: Thank you. Bye-bye.

[END OF TRANSCRIPT]