Recordati S.p.A

"2013 Third Quarter & First Nine Months Results Conference Call"

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OPERATOR: Good afternoon. This is the Chorus Call Conference operator. Welcome and thank you for joining the Recordati 2013 Third Quarter and First Nine Months Results Conference Call. After the presentation, there will be an opportunity to ask questions.

At this time, I would like to turn the conference over to Ms. Marianne Tatschke, Head of Investor Relations of Recordati. Please go ahead, madam.

MARIANNE TATSCHKE: Yes hello, good morning and good afternoon to everybody and welcome to the Recordati conference call. Here with me today is Fritz Squindo, who will be presenting and commenting on our first nine months results. We've been having problems to put our presentation…problems with the platform. So I hope you have all received the presentation that was sent. If anybody has not received the presentation, please contact the operator and we will send it to you. Okay now, I will hand the conference over to Fritz, who will present our results.

FRITZ SQUINDO: Okay, thank you Marianne. Good afternoon or good morning to everyone. Slide #2 we are pleased to announce our results for the first nine months for 2013, both sales and profit grew significantly let me say in line with the first six month result. Consolidated revenue is €702 million, up by 13.2%. EBITDA at 24.8% of sales is €174 million and is up by 15.4% compared to the same result 2012. Operating income at 21.1% of sales is €148.3 million, an increase of 12%, but let me underline that this result includes a provision of €8 million to cover the estimated cost for the completion of the sales force reorganization in the French subsidiary, reorganization that we started in beginning 2000 of this year. Part of the provision is due to higher per capita cost than originally estimated, but it's also due to an additional sales force reduction enacted this year. Excluding this provision EBIT would have been €156 million and here we are up by 18% and a very good trend in the business which is a one-time cost, which is linked to this reorganization.

Net income at 14.5% of sales is €101.5 million, an increase of 9% over the first nine months of 2012. Let's say then we have in this first nine month very solid financial result, but also other significant step in the internationalization, in the expansion of our Group. Let me underline most important in January, the acquisition of a portfolio of drug for the treatment of a rare disease mostly sold in the United States acquired from Lundbeck was successfully closed. An amount of USD 80 million was paid at the closing in January and an amount of USD 20 million in August to pay all this acquisition.

In order to fund this transaction, a long-term loan agreement with US investors for $70 million of which $40 million 10-year bullet and $30 million 12 year bullet were finalized, then we have a natural hedge from this operation started (Ph) in the US and financed in the US.

Let's move to the more recent step in this expansion of our Group in July. An agreement was signed for the acquisition of 90% of Opalia Pharma, a Tunisian pharmaceutical company. The first tranche of the closing is expected shortly. Then October we closed…we signed in September and we closed in October, the acquisition of the Spanish pharmaceutical company, Casen Fleet. Let me say that we expect to consolidate the result of both Casen Fleet and Opalia as from November this year.

Let's now move on our results, composition of sales because commenting in the sales performance area country-by-country, let me underline that the first nine months include the sales of the USA, in the USA of the products acquired from Lundbeck for an amount of 35.5 millions. We also have included in this landmark result revenue generated by the portfolio acquired in Russia and the other CIS country in November 2012, and also sales for an amount of 8.4 million following the consolidation of the Polish pharmaceutical company Farma-Projekt acquired in August.

Excluding this effect which are adding sales due to acquisition, the sales growth is 3.0% and the organic growth excluding all this acquisition is 3%, but I wish also to point out that during 2013 some currencies were progressively devaluated, mainly the Russian Ruble and the Turkish Lira, and the effects on our sales of this devaluation can be estimated to be of €6.5 million. Then we have also a negative impact of around 1%, due to currency devaluation, this has impact on our sales, lower impact is on our profit for this devaluation based on the cost structure denominated in this currency, mainly in the Turkish Lira.

Let’s now move on the business performance by country, in Italy, sales in Italy are up by 3.6% over the same period of the preceding year and here we have Zanidip and lercanidipine, the two brands of our combination, combination between lercanidipine and enalapril and Urorec, Silodosin are performing well, OTC product sales also grew in the period due mainly to the sales of Dentosan, the oral care line of product acquired in the fourth quarter, 2012. Sales of products for the treatment of rare diseases in Italy also show growth.

Pharmaceutical sales in France, and I move to France, are down by 5.4%, and this is mainly due to sales decrease of Zanidip, but on the other hand, sales of Zanextra, here Zanextra is the brand for our combination, in France of Urorec and of methadone as well of the OTC line of product in the treatment of rare disease all these products are growing. Good performance from our portfolio, excluding this decrease of lercanidipine plain due to generally further erosion for generic competition.

Revenue generated in Russia and the other CIS countries is €66.6 million, up by 83.7% over the last year. Here let me underline that sales include the portfolio of the self medication product acquired in November last year. If we exclude this effect, growth is in any case significant, where the growth is 28.6%.

Germany, Germany sales are up by 13%; thanks mainly to the sales growth of Ortoton and Urorec. In addition to the sales of the six OTC products and of CitraFleet, a preparation for colonoscopy which is in-licensed from Casen Fleet from April 2012, then until now it's a licensing in product. From now on based on the acquisition of our portfolio of Casen Fleet will become a new corporate product…CitraFleet will become a new corporate product.

Sales in Turkey are up by 3.5%, thanks mainly to the good performance of the corporate product Lercadip, Procto-Glyvenol in addition to Urorec and Zanipress, the two new corporate products launched during the third quarter of 2012. Let's say that in Turkey we have an important impact in our sales due to the devaluation of the Turkish Lira and we can say that in local currency sales, Turkey increased by 10.1%, then if we exclude the currency depreciation we have a good performance also in our Turkish business. The Group pharmaceutical business in the USA is dedicated to the marketing of product for the treatment of rare disease.

Sales in the first nine months of 2013 are 40.2 million and consist of revenue for Carbaglu, the product belonging to the Orphan portfolio…Orphan Europe portfolio, and to the sales of the product acquired from Lundbeck in January 2013. Regarding this portfolio, the main products are Panhematin for the amelioration of recurrent attacks of acute intermittent porphyria and Cosmegen used mainly in the treatment of three rare cancers. Let's say that we are very pleased by this acquisition in the USA, and we have been seeing a growing trend of our portfolio acquired at the beginning of this year.

Sales in Portugal; we are down by 4.8%, in line of the trend of the first six months, and this is mainly due to the termination of a license agreement for the products Tareg and Co-Tareg at the beginning of this year. On the other hand, the corporate products Zanipress, Livazo, TransAct, Urorec and as well as the self medication product are performing well, and they are not able to completely offset the lack of sales due to the termination of these contracts.

In Spain; sales are down by 7.8%, and this is mostly due to the competition from generic versions of Cidine, one of subsidiary main product. Here again, the corporate portfolio represented by Livazo, Pitavastatin, Urorec and Zanipress are performing well. In Spain, the most important sector is the acquisition of the Casen portfolio, which could significantly change the size of our presence in the Spanish market.

Let's now move on sales in other Central and Eastern European countries, which are growing significantly. Now, this is mainly, due to the acquisition…Poland we acquired a portfolio and a company last year. Other international sales grew by 1.1% and compress (Ph) the sales to our licensees, the Bouchara export activity, and the Orphan Europe export activity worldwide.

Slide #4; here we present; this graph shows the geographical breakdown of our pharmaceutical revenue. We have now broken out sales in Russia, and the other CIS countries, and these territories is important, are now one-third…our third largest market from a geographical point of view. We now also…you can see in this graph, that we now show our sales in the USA. In the USA, which account for 5.9% of total sales, and comprised mainly the sales of portfolio product acquired in January from Lundbeck? We are continually diversifying our presence from a geographical point of view.

Let's now move on our main product sales, and you can see on Slide #5, that proportion of sales of our corporate products, total sales continue to increase and now stands at more than 46%. Zanidip lercanidipine decreased by 5.7%; as a result of generic competition mainly in Italy and in France. Then…but on the other hand, sales of the Zanipress, the combination of lercanidipine and the enalapril in the first nine months of 2013 are up by 17.3% and this is mainly due to the performance of the product in Italy and Portugal, France and let me add also Turkey, where it was launched in September 2012. Zanipress now is available in 23 countries. Then we can confirm that we expect the franchise of lercanidipine sales, which is both Zanidip lercanidipine and combination to remain stable going forward.

Urorec has been successfully launched in 22 countries, with sales of €34.1 million in the first nine months of this year, up 48.6%, and this is mainly due to the performance in the product in Italy, in France and in Turkey. Then in Turkey, we are doing very well with our corporate products.

Sales of Livazo, we are talking here about pitavastatin. In Spain, in Portugal, [indiscernible] license in Switzerland, during the first nine months are €16.8 million, up by 36.4%. Then, here again, good performance but limited to some important market.

Let me end this slide with a comment on our specialties indicated for the treatment of rare and orphan diseases. Here sales are €97.7 million, with an increase of 70.9%; this is mainly due to sales in the USA of the portfolio acquired. Let's say, if we exclude this consolidation, the organic growth of our orphan business would have been 8.7%, than good performance not only linked through the consolidation of the acquired portfolio, but here again, a good performance also of our organic portfolio.

Slide #6; the graph shows the breakdown of our revenue by type of product. We have now broken out our OTC sales, OTC is a business in which we won strategically grow, which now represents 15.4% of our sales in the first nine months, an increase mainly to the newly acquired portfolio in Russia.

Now, we can move on the P&L, Slide #7. We have already talked about revenue for the period. Let's now move on gross profit, gross profit is €460.1 million with a margin of 65.5% as a percentage of the sales, a slight increase compared to that of the first half 2012.

Following the addition of the portfolio of the new product acquired in which have relatively high margin. This for us is important, because we have been now seeing for all these nine months of this year, our gross margin slightly increased, which while in the past we have been seeing our gross margins slightly decrease.

Selling expenses include the reinforcement of the sales, organization in Russia and the other CIS country, as well in Poland, in addition to the promotional activity related to the newly acquired products. But let me say, as a percentage of sales, these expenses are below the same period of the preceding year, due to an overall containment in all the other markets, then we invest where we have opportunity to see…opportunity in term of growth, but we have this policy of overall containment of our selling expenses.

R&D expenses are €55.4 million, higher than those recorded in the first nine months 2012, due mostly to the amortization of the amounts paid for the acquisition of the product portfolio in the US and in Russia. Together with the clinical development of our product, mainly we are talking about the clinical development of the Nymox product. G&A expenses are up by 17.4%, but are substantially stable as a percentage of sales.

Then let's comment again our other expenses, net to other income which are €11.5 million, and I would like again to underline that this amount includes a provision of €8 million to cover the estimated cost for the completion of the sales force reorganization in French subsidiary, part of the provision is due to higher per capital cost, than originally estimated, and the remainder to an additional fit (Ph) for reduction that we had enacted this year. Here again, I would like to say that if we exclude this one-off charge, EBIT is €156.3 million, an increase of 18% and the margin of 22.3% on sales excluding this, here again a very solid and positive performance at EBIT level in the first nine months of this year.

Net financial charges are €10.6 million, an increase of €6.3 million compared to the same period of the preceding year due mainly to negative currency exchange effect which is mainly to be attributed in particular to financial operations involving the Turkey subsidiary.

The effective tax rate during the period is 26.3% lower than that of the same period 2012, and net income at 14.5% of sales is €101.5 million, an increase of 9% over the same period of 2012. Growth is lower than the growth in the operating income and this is due to higher incidence of financial expenses, but let me underline again a very solid and positive financial result in this period.

Slide #8, financial position, at the end of September of this year, the net financial position show a net debt of €133 million. During the first nine months, $100 million equivalent let's say to €75 million were paid for the acquisition of a portfolio of products for the treatment of a rare disease, and then we have another $11 million for the acquiring of the stock of this product. Furthermore, we have also distributed dividends for an amount of 20.1 million, then we have been able to toward to improve our net financial position even if we had this important amount we paid for the expansion of our growth in this case in the USA.

Long-term debt include the private placement in the US of a senior note issued by Recordati Rare Disease for a total of $70 million and this was the operation for funding our investment in the USA. And furthermore, let me say that during September, Recordati SpA obtained a five year loan for an amount of €50 million to be reimbursed in 8 installments due to the end of every six months starting from March 2015. Then we are on the other hand, closing deal for the development of the Company. On the other hand, we are financing through medium and long-term, at very good condition, our expansion.

Then from a financial position, we are now on position which when you…not include this, the new acquisition, but we have financial reserves in term of long term debt for financing this closing that we had and we expect to have during October of this year.

Let's now finish the presentation with the financial projection. The excellent results obtained in the first nine months, thanks mainly again to the strong international expansion and based on the effective consolidation of the two acquisitions, Casen Fleet in Spain and Opalia Pharma in Tunisia as from November, led us to believe that we could exceed our targets for the full year 2013…the previous target let me say, then we now therefore, expect to achieve a sales of more than €930 millions, operating income of more than €190 millions and net income of more than €132 million. Then we expect to exceed the previous target that we have announced at the end of the first quarter and then at the end of the second quarter.

Then, here I finish my presentation and I am available for any questions you could have.

MARIANNE TATSCHKE: Okay, please can you open the question and answer session.

Q&A

OPERATOR: Excuse me; this is the Chorus Call Conference operator. The first question is from Ricardo Luis of Credit Suisse. Please go ahead.

RICARDO LUIS: Yes, hi good afternoon and thanks for taking our questions. So the first one is whether you could quantify the impact you expect from the Spanish and the Tunisian acquisition in the last two months of the year, as you mentioned, this was one of the driver of your revised guidance. Then another question is about the trends in cost of goods, so looking at this more recent acquisition, I mean should we expect this product to have a gross margin level below the level of the current group or in line with the level of the group at the moment. And also, if I can ask you a quick update on Carbaglu in the US, if you still plan a filing for organic acidemias in the first half of next year. And finally, last question is whether you expect any further earn out from the Lundbeck portfolio you acquired in January, over the $100 million that you've already paid, that's all. Thank you.

FRITZ SQUINDO: Okay, okay let's start with the consolidation of Casen Fleet and Opalia and then let say that we expect to consolidate, as I said, we expect to consolidate these companies from the 1st of November. Then the most important impact will be at the sales level, sales of the two months expected to be of around €10 million because we are talking for Casen, one company with €45 million per year and Opalia, we are talking about one company with €16 million, €18 million per year. Then overall, there is now I mean a strong seasonality portfolio, and then you could expect the impact on sales level could be in the region of €10 million.

Regarding operating income and net income, then there will be the impact based on the consolidation with one operating margin which is a bit lower than the operating margin of the Group. And we expect also…could also have some extraordinary costs which is normally linked to the first consolidation. Then the impact of operating income and net income will be less significant than the impact that we expect to have at sales level.

Then regarding the trend of the cost of goods, let's say that we don't expect our cost of goods to be strongly impacted by this acquisition, and then we can confirm as I said during my presentation, that the level of cost of goods achieved this year could in some way to be maintained going forward. We have a change in the trend; we are now slightly increasing, but the level that we have achieved in this nine months that we expect to be the normal level of cost of goods going forward.

For Carbaglu, for the time being I can confirm that we are working, but on this with this objective to have the Carbaglu is to file Carbaglu for the new indication in 2014. And there is no earn out in our agreement with Lundbeck, then we have fully paid the acquisition of the portfolio in two tranches, one in January $80 million and the second one in August $20 million.

RICARDO LUIS: Okay, many thanks.

FRITZ SQUINDO: Okay.

OPERATOR: The next question is from James Vane-Tempest of Jefferies, London. Please go ahead.

JAMES VANE-TEMPEST: Hi, good afternoon. Thanks for taking my questions, and as far as [indiscernible] the €8 million charge you have in the quarter, do you envisage any more, I think you have €6 million last year and did you expect with €8 million charge at some point this year when you provided your guidance. And also related to this question on France, what level of pricing erosion you are expecting next year, as the latest development seems to suggest pricing pressure on France is going to accelerate? And the second question is on, lercanidipine, can you please explain what happened in the…in terms of how the licensees were given for the international and part of the sales, and that's all in terms of on a quarterly basis these, and sales to licensees, lercanidipine were down 24%? And then finally, sales and marketing at 28% of sales, at the nine months level, is this the kind of level you expect for the full year? Thank you.

FRITZ SQUINDO: Okay, let's start with €8 million; let's say that we started our…first of all, the restructuring process in France is still ongoing, then I don't want to comment more in detail this issue because we are talking about people in France, and then we want to keep a confidentiality on this particular subject. We started at the beginning of 2013 this process, we have, as I said, two strong impact; one is due to the increase per capita cost, we tried to be at the beginning very aggressive in term of cost of per capita. But mainly, the most important impact that during the year…during the process, we have been able to increase significantly the number of people who have accepted or decided to leave the company, then we are talking about 50 reps…around 50 reps at the beginning of the process, now, we are talking of one number, which is close to 80. And this is one of the major impact for the increase of the cost, which means that we now we could have a…we can have one sales force organization, which is lighter than what we expected in one market, which is not a difficult to one, but which is a mature one.

Then the major impact is linked to the increase of the number of people involved in this reorganization. Regarding accruing (Ph) when we announced our guidance, mainly in…we were aware there could have been some slight increase on the per capita cost, but let's say, we didn't expect at the end of the process a number of people, so high as we expect to be. Then to say in another way, this accrual was not included in the first…in the previous guidance that we announced in March and in June.

Regarding pricing level in France, based on our portfolio, frankly speaking, we don't expect a strong impact next year in France, next year will be a new year for Recordati Bouchara. We have a difference size of sales organization, we will focus on some product, mainly on the corporate one, but we don't expect a price decrease significant in France for the Recordati portfolio in 2014. Then there was…

MARIANNE TATSCHKE: And the sales to licensees for lercanidipine…

FRITZ SQUINDO: Sales to licensees to lercanidipine, let's say that here we have…[indiscernible] in the market but to sales to our licensees. And we have already commented this in our report; this is mainly due to changes in purchases policy enacted by certain licensees. Then on a quarterly basis, it's very difficult to maintain stability on these sales, because some of these are impacted by purchasing policy of the partner.

MARIANNE TATSCHKE: I didn't get your last question, James?

FRITZ SQUINDO: James, what was your last question?

JAMES VANE-TEMPEST: Yes, just looking at the selling expenses as a percentage of revenue, clearly that's come down and at the nine months level, I think they are about 28% of revenues, I mean is that the kind of level you expect for the full year?

FRITZ SQUINDO: We expect…we have a very low level in the quarter, but we have one level, which is around 29 for the first nine, and we expect this to be the level of…if you could expect in this range, you could expect on the full year.

JAMES VANE-TEMPEST: Okay. Thank you.

OPERATOR: The next question is from Jamie Clark of Bank of America Merrill Lynch. Please go ahead.

JAMIE CLARK: Hi, good afternoon. I have three questions please. Firstly, in the US, I think, when you acquired the portfolio products you are expecting $40 million in sales for the full year, and you have done that so far in the third…in the first nine months. So what's driven could be versus your expectations, is that expected to continue in…is that sort of great and expected to continue into 2014? Second question on Turkey, even on the underlying basis, local currency grades in Turkey is not at 6%, is that quarterly trend or is that the sort of level you expect sales going forward? And thirdly, if you exclude the €8 million commission in the third quarter, then your margin would be around 24%, how sustainable is that, obviously you guided in the past margin, between 20% and 21%, we are now doing 24%, do you think that in 2014 your margins can be in that level? Thanks.

FRITZ SQUINDO: Okay, let's start with our strong performance in the USA, we agree with you, we expected US $40 million, US $42 million for the full year, now we are US $35 million, and it is a very strong performance, which is due to a portfolio which is overall growing, but driven mainly by good performance of Panhematin. We have also good performance from NeoProfen, which was re-launched in the second part of 2012, and we have for the time being good performance from Cosmegen, Cosmegen which is the…an important product in this portfolio, which is indicated for the treatment of some rate cancer, for which you could…we expect at some time possible generic competition. And then, let's say that, for 2014, we are prudent in projection…the projection of our USA business regarding particular Cosmegen, because we could be impacted by possible generic competition of Cosmegen, this is one point, one threat (Ph). Regarding this extraordinary performance with this threat (Ph), which is not very high, we are talking about some million US Dollars sales, but could be one possible risk for 2014.

Second point, regarding the profitability in the third quarter; 24% if we exclude the provision which is €8 million, then we have a very high level in term of profitability, let's say, that we don't expect this to be our level of profitability going forward. We are now at…I think it's more, always I said that a quarter is not so significant in term of representation of the real profitability of one company, and then we expect to…we continue to say that we expect for 2014 to maintain our profitability in the region 20%-21%. Let me see what will be the final number in the budget process, but overall we expect to continue to maintain this profitability. Growing; growing also adding new product, but the profitability could be in the region of 21%, let me say.

MARIANNE TATSCHKE: But I also wanted to know whether the underlying….

FRITZ SQUINDO: In Turkey, Turkey here…on Turkey business, let me comment again. We have in euro evolution in our Turkish business, the growth in euro denominated is 3.5%, but on local currency we have now a 10.1% in term of growth, then we believe that in a market, which is difficult we continue to have a very good performance. And let me ask, that that this good performance is mainly driven by the corporate product, we launched in this market Urorec and Zanipress in the third quarter 2012 and we are achieving very good result, then it's not the same performance as in the USA, but we continue to believe that we have…we are achieving good results in the Turkish market, because 10% increase in local currency means that we have a double-digit growth in the business.

JAMIE CLARK: Okay.

OPERATOR: The next question is from Eleanor Fung of Goldman Sachs. Please go ahead.

ELEANOR FUNG: Hi, Eleanor Fung from Goldman Sachs. Three questions please if I may. Firstly, just given the good growth of your existing operations, in particular your corporate products and your Russian business, I am curious to understand why you still maintain such a conservative full year guidance upgrade. Secondly, just on your sales force, ex France, I am just curious to understand if you are now right sized in your key market or if not, where do you see the potential to make further adjustments upwards or downwards. And finally, just on net debt, just curious to understand if you have a target level and I am just curious to understand how you are thinking about prioritization of more M&A in the near term versus maintaining a target at that level. Thanks.

FRITZ SQUINDO: Okay, hey Eleanor, let's say that we are pleased that you have a good view on our business, we are in your…also internally we believe that we are doing very well for in our Russian business, we are doing very well in the corporate business, but we for the time being, we have now upgraded our target for 2013, and we will see what could be the projection for 2014. Pharmaceutical business there is also a risk, like the connected risk in generic competition, we are talking about the generic competition of course, Cosmegen are the possible competition of generic, we are talking about citalopram in Italy and then we believe that we are able to maintain our current profitability which is a stable one. We have maintained the stability even after the generic competition of lercanidipine. For the time being, we are not prepared to increase significantly our objective.

Then let's say that this is the philosophy of Recordati to remain prudent in giving targets, for us it's important that to continue as in the past, to achieve and to exceed our targets. Then it's up to you to again to have your evaluation, from our side, we will see in February when we will announce the target for the full 2014 here, but for the time being, let me say, let me confirm that the profitability achieved and we expect to achieve in 2013 could be a base for the future profitability. Second point, we in our M&A strategy, we have two different options, one option is the geographic enlargement, and the Tunisian bid is in this direction. On the other hand, we have also one objective to adjust, as you say to improve our presence in some markets. And then this the case of the Casen Fleet acquisition. We had one problem in Spain and then we have increased our presence there, but in this market, we prefer to try to have acquisition in the direction of fully paid by patient product, we want to be less dependent on the regulatory rule on the regulatory reimbursement.

ELEANOR FUNG: On the….

FRITZ SQUINDO: Okay.

ELEANOR FUNG: [Multiple speakers]

FRITZ SQUINDO: Same. Another point regarding in particular in France, then for sure we believe that we want to maintain a certain presence in France, here again we want to develop mainly the OTC business, regarding the DRX (Ph) business, we expect the number which will be the final number in term of reps will be approximately to be the right one, we could think on some zone to be covered, but essentially we expect this to be enough and in line with the current portfolio that we have in France.

In the other market, yes, we in term of organization, we had the right one, if we want to increase our presence, this will be mainly due to as I said, M&A activity, mainly in the OTC on the fully paid environment. We've…and then we for sure, we don't expect to increase organically the sales organization in this market. Net debt, we confirm that [multiple speakers] net debt is…shall we confirm that we have an objective of one-time EBITDA, but as always, we are prudent in term of financial approach, but the real driver is always the strategic opportunity, the strategic fit that we can have in opportunity which are coming available in the M&A arena. Then the objective is to have our net debt in the region of EBITDA, we are now raising money at a very good condition, then if there is a very good opportunity, we can also slightly, I would like to underline slightly, increase our net debt level. Is it enough?

ELEANOR FUNG: Thank you very much.

FRITZ SQUINDO: Okay.

OPERATOR: Mr. Squindo, there are no more questions registered at this time.

FRITZ SQUINDO: Okay.

MARIANNE TATSCHKE: Okay, we thank you all.

FRITZ SQUINDO: Bye-bye.

MARIANNE TATSCHKE: Goodbye.