



Vinda International Holdings Limited
2020 Q1 Results Conference Call
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Speakers

Mr. Christoph Michalski, CEO **(CM)**
Ms. Vicky Tan, CFO & Company Secretary **(VT)**
Ms. Josephine Wong, Senior Corporate Affairs Manager **(JW)**

Presentation

JW: Good Morning ladies and gentlemen, welcome to Vinda International's 2020 first quarter results briefing call. On the line we have our CEO, Mr. Christoph Michalski, and CFO, Ms. Vicky Tan. Today's call will last for about 30 minutes. Christoph will first present the results and then we will open for Q&A. Just a reminder, we have sent you a presentation deck this morning. Please check your email box or download it from our website. Now I would like to pass the time to Christoph. Christoph please.

CM: Thank you Josephine. Good morning everyone and thank you for joining our call. So I suggest that, considering you have already seen the results and that you have received the presentation, I will give you a small overview what happened in Q1 in particular in China and what happened concerning the coronavirus. Then, in that light and in that context, I will present you the results, and then at the end we have a small Q&A. I just want to remind you all that this is a Q1 results call where we have very little detailed numbers. We just give you top line and bottom line, but considering the exceptional circumstances, I want to give you a little bit of colour behind those results. Let me start with that, so you remember that China announced the outbreak of coronavirus basically on 20th January, just after the Chinese New Year, which led then to on 23rd January the closure of Wuhan. They announced further that the Chinese New Year holiday would be extended to 2nd February, and in Hubei province to 13th February.

I spoke with some of you during the time and clearly Vinda was also impacted by this. First, all our tissue and personal care factories in China were closed until 3rd February and we only resumed production after that. In Hubei, actually, our facilities were at the end closed until 11th March. That time was also extended, which clearly had an impact on our Q1 result. So during that time, what did we do? We basically, first of all, there was a very large number of regulatory requirements to start help, to move in protection, to separation of people, etc. in the factories which we implemented. They were monitored very strictly by the local authorities. Second thing we did, we tried very hard to secure the supply for packaging materials, for plastics, for glues,

for any type of raw material other than pulp, we had enough supplies at all our sites. Our start from 3rd February and finally also in Hubei province was very smooth. But clearly, it wasn't a picture of normal production for a number of weeks and all of our operation.

Today our factories are back on track. So we are producing since the mid of March we are close to 90% of outputs, in some areas like Hubei, even 95% of output which is very high for tissue business. Basically, the operation is very smooth. You're probably aware when it comes to pulp prices and pulp supply, all that is not a big concern for us. As you know we stocked up already a little bit at the end of 2019 and therefore we have never any issues. The second part is we are the only area where we often had some challenges in the last months and weeks is the supply of nonwoven which is in relatively scarce supply because of the need for mask making and protective clothing making for the moment at the worldwide level.

The other thing we did is we also put in place some capacity to produce masks. Clearly as you know, we were required to have that for ourselves, and so we put enough capacity to produce for ourselves. We also produce for local government contracts, which guarantees us to get enough supply of nonwoven of the right qualities

And from now on, basically, at the end of April and beginning of May, we are also able to supply to other people, particularly in China. Our capacity on mask making is now about 7 million masks a month, which is a reasonable capacity for our needs and for third-party sales. And we expect the demand to last at least for if it is not by the end of this year, then even still in 2021. The capex for this type of operation is very low. Second thing we have done, we increased our capacity for wet wipes. We expect that demand to be maintained in the future, as the consumers have a totally different awareness in China on hygiene matters. We have extended our capacity in Guangdong facility. So now, we have facilities in Hubei and in Guangdong and we are planning as well to expand some more capacity in our Beijing operations.

When it comes to the other areas, North Asia and Southeast Asia, you've probably aware about the panic buying in Hong Kong. And because of that, we had some disruption in our supply chain because we were not able to satisfy the supply immediately, but because over time we were able to rebuild our supply chain after the opening of our facilities in Guangdong. We had a very good growth performance in Q1 in North Asia. And Southeast Asia until the mid of March were actually not even affected really. There was not much of a government response. And only by mid-March, movement restriction was introduced in many Southeast Asian countries, including Malaysia. We expect some small impact of the coronavirus in Southeast Asia for this and in particular for the second quarter. The first quarter had been very good.

When I look forward, I think we all realize that this pandemic not only will continue in Europe and in the US for a while, but we also realize that most countries which had a very strong containment strategy have not fully yet communicated and enacted an exit strategy other than waiting for a vaccine. So in our view, this pandemic situation will continue for a while, with restriction opening up increasingly within the countries, but clearly with some limitations between the countries. And we also expect that China will return to a certain level of normality that North Asia is reaching also that point, and Southeast Asia will take a little bit longer

considering that the pandemic wave hit Southeast Asia a little bit later, and we don't know yet the full extent of it. So that is the kind of background I wanted to give you in considering the context of our results. I would like to invite you now to go straight to page three on revenue. Here you can see that it's the first time in Vinda's history that we actually had negative quarterly growth. The growth went down by 12.4% in constant exchange rate.

This growth decline was mainly due to our tissue business in China. And that you can also see very clearly, mixed effects in Q12019 with 17% of our sales for personal care and that moved to 21%. So a very significant increase and that has to do with the excellent performance of feminine across the business and particularly in China and the good performance of incontinence business across all countries.

Clearly, we're not very happy with that. But we have always expected Q1 to be weak and as soon as the pandemic became visible, and the good news is that growth in April and initially the first week of March started really to take off. We are currently resupplying China, when it comes to the depleted stocks in the trade, depleted stocks in the warehouses and in consumers' homes, and the growth until now in terms of delivery is very strong.

From an overall perspective, we still have this ambition of double-digit growth for the whole year. We haven't given that up and I think it's very realistic in view of the current business performance. The assumption behind this is that China will return to a certain level of normality and will have a very significantly higher hygiene aspect. We expect that our key business in Malaysia, Singapore, Taiwan, Hong Kong and Korea will perform more or less in line with the overall yearly ambition.

Let me turn to gross profit here. However, we have very good news, gross profit has increased again compared to last year, by 19.2%, and it moved up to 37.5%, which is a good increase since Q4 it had been at 36%. Pulp prices between these two quarters have been stable, and the real effect of this actually is a mixed effect, we have seen a continuous drive of our higher-margin products, and we have seen an increase of personal care which overall has a good effect on gross profit.

What you also see here is an effect that clearly is the temporary price reduction through promotions. They were very limited in Q1, we expected that to continue in Q2, and that has to do with the fact that the competitive intensity has diminished a little bit during the pandemic because no trade could actually implement very significant promotions or consumer activities.

When I look at operating profit again, same scenario, it has been increased from 13.2% in Q4 to 15.4%, or if you look at the yearly perspective a 55% increase. This is basically due to very stable SG&A, and a little bit reduction of promotion activity and marketing activity in the market. So, what we have done in this quarter we have only focused again our premium ranges, and we have basically only run consumer brand building activities particularly online and very little in-store promotion overall.

I'll skip EBITDA as it basically tells the same story. And I come to the channel revenue. Here

clearly you can see again a very strong increase from 25% last 1Q2019 to 29%. When you look at the growth performance in China, e-commerce was the only channel growing in Q1. This basically led the channels in China, representing about 40% of our sales.

This clearly will not stay the same this is not the trend this is a blip. We will continue to see e-commerce grow but not at that rate. But the reason behind is mainly the relatively poor performance on key accounts, and even worse were the general trade and B2B, and these channels are clearly still very important in our business mix. And their activities during February and also at the beginning of March have been very constrained.

So an exceptionally different quarter than what we would have expected at the beginning of the year, but I think we weathered the storm so far that our performance while we haven't reached our goals and objectives, we clearly have been able to ship in time, we have been able to secure our staff, we have been able to continue to work on profitability. And I think when I look at the opportunities that we have in the market which I always basically talked to you about, nothing has changed. So, the growth of opportunity in tissue market when it comes to low per capita consumption, premiumization and personal hygiene are still there. I think the opportunity in tissue market has actually increased. It has increased in two ways: the first one is clearly the hygiene perception in China in this particular situation. And this will be a lasting effect. And it also has pushed people in the consumer market to different types of products, be it disinfecting wet wipes, be it the higher premium tissue products.

When we look at professional hygiene while the market currently is still very depressed by the fact that people are not going out, I'm absolutely certain that this will lead to a very significant increase of customers who want proper bathroom hygiene in public places including hand towels rather than dryers, than air dryers, and things like that. Therefore, I believe that the tissue market opportunity in China will actually be accelerating rather than being depressed for a long time.

When it comes to feminine, as you know we would like to achieve a double-digit share over time. The launch has demonstrated to be very sustainable so we had very good growth as I said, with lots of activities from June last year onwards. And even during this time of lower activities in the channels, the momentum of the feminine care business has continued, and I think we are on a very good track.

Incontinence care also basically has performed well, clearly the need for incontinence products has not gone away. On top of that, Vinda has done an effort, especially in the Hubei province, to give products to hospitals during this time because we felt that we're not in a normal situation but in a serious health crisis. Whatever we could do to help local hospitals, we have done with stocks available and the logistics available.

We believe that the opportunities have not gone away. I think we have also seen that in the past that we talked that we're very focused on consumer relevant innovation, and these are based on our insights and then on a very disciplined innovation strategy and execution. During the pandemic, we have also seen different needs, particularly more in the disinfection area.

We're very busy working on additional product lines that can be launched in the summer. I think also the reaction of producing masks, the first mask we produced at the end of the February has shown that we can react very quickly, despite not being in the mask business. I think the capacity increases in wet wipes is also a sign of how Vinda is able to react very fast in such an environment.

When it comes to profitability enhancement, clearly, that is something we look and particularly also the mitigating factors of saying what would happen if our sales would be slower and then for longer, and what cost saving we could make in order to secure Vinda's cashflow, and we have identified the number of them. Some are very relevant for any type of business's future and others less so. We have decided to implement as we go along all relevant, continued cost saving programs. And you'll also see when it comes to the next effect portfolio is moving again very much upwards. At the end of the year I've talked to you about our premium line, at about 21% at that time. We are growing very fast and today it is already at 27%, and still has positive growth despite our -12% in organic sales. So the proportion has increased a lot, and we expect that momentum to continue.

When it comes to ESG, nothing has changed, we have, as I said, in particular, pulp, we're very focused on certified sources of virgin pulp that we use in our tissue production. At the end of last year, we have decided to stock up little bit more to have enough pulp locally in our factories so as to keep the stock for about two months at the operational level which we've done, and that was clearly, without knowing about the pandemic, a very good decision because we never had any supply issues of pulp per se. And finally we continue our way of operating the people development and corporate governance.

Alright, let me stop here. I think the only other things to mention which you are probably very interested in is what is happening in quarter two. As I said before, we have seen the sales momentum to pick up again from the last day of March, and particularly now in the first two-three weeks in April, the momentum is very strong, it stays again in the areas of our premium products and also interestingly in our lower-value ranges, we see clearly polarization of the market where premium is clearly the big winner and also low-cost is a winner, and the mid-segments or the mid-market is seriously squeezed.

I'm very glad that our strategy has always been to develop the premium size, and that gives us a lot of momentum. And that basically makes us believe that our ambition of double-digit growth for the total year, and clearly for the rest of the year remains a very good objective. We also see a strong momentum as I said for personal care in particular the feminine business in China but also in the other regions, so we have a strong growth in quarter one and that momentum is likely to continue for the rest of the year and beyond.

Finally, incontinence care has continued its good growth performance as in the past and had a little bit of an acceleration in China due to some of the health situation we have seen and people getting aware of these products and shifting towards purpose-made incontinence care products.

Overall a good quarter when it comes to profitability, a little bit challenging in growth. But with

the future, in quarter two and the other quarters to come, which is very promising. Thank you very much, so I will hand over to the operator for questions. We welcome you to ask questions, considering that we do not publish a lot of data in quarter one and quarter three.

Q&A Session

James (J) from Saga Tree Capital

J: Thank you very much for hosting the call. It is very much appreciated especially during the current time. I have two questions. The first one is why have the premium products done so well during the pandemic? So that's the first question. The second question is how sustainable is the current competitive intensity? And because in the past, what we have noticed is when pulp prices were low, I think, your competitors also stepped up the promotion and, to a certain extent, advertising game. So how sustainable do you think the current level of competitive intensity is? And whether there is any ramification of this on your long-term margin?

CM: Thank you James. Why have premium done so well? I think... Let's be clear. I think premium have done very well and what we now also see is that the lower-priced products are doing well. I think, if you have followed Vinda and all the discussion we have over time about premiumization and what is happening in the market, I think, there are two trends. The first one is that, during the pandemic, people started to consider hygiene products as something totally essential. Therefore, they are interested in what they were buying and the quality of the products they choose. It changes a little bit of the mindset. Some people said, "I need a lot of these things and let's find them as soon as possible." And other people said, "OK, I need to use these products all the time, and I want to make sure that I buy a quality which fits my needs. And as these products are important for my life, I will make sure that I buy the right quality of products." So, I think that's the mental change which is happening. The second thing which is happening is that a number of products that are for hygiene purposes and so important are our wet wipes. We saw explosive growth in wet wipes. We see a very strong, continuous growth on soft packs, and we see other categories which recorded a little bit slower. For example, the category of products for use on travel such as hanky when you are out and about has actually seen a market decline. So that I think from a product-mix perspective it went into premium except for hanky. From the mindset perspective it went into premium. And then the underlying trend of consumers either finding hygiene much more important or buying more volume at a cheaper price. Our strategy has always been to be at the premium end of the spectrum because we believe that is the only way where you can sustain a very good brand and very good innovation going forward.

How sustainable is this competitive environment? It is hard to say. I think, in the past, we always saw that competition was increasing when pulp prices were low because basically everybody played the game. And as I said already, in quarter three and quarter four we would not engage in any price game because we would focus on our added-value product portfolio, and we had actually in quarter four last year and quarter one this year a very stable, slightly increasing, and even in this quarter, the average price per ton which could be a clear sign that our price policy didn't need to take a significant hit from the competition perspective. I think in quarter one the

competition was clearly lower because everybody has supply issues and the trade couldn't take its promotion. I expect that to change in quarter two while I actually think that our profitability would continue at a very high level because in this gross margin that you have seen you have basically a much lower production volume, already with Hubei being out of action for seven weeks and the rest of China being out action for one week and a half longer than actually planned. And this clearly when you produce now at a very, very high utilization rate, we will have a very positive effect on gross margin as well. So I think quarter two will definitely see not much change and then in quarter three and quarter four, Vinda will not engage in a significant price war but we will continue to build our premium section of our brand portfolio.

J: Thank you. That's very useful.

Lina Yan (LY) from HSBC

LY: Hi management, congratulations on the very strong results and a very promising outlook for the rest of the year. I also have a follow-up question on the operating profit margin beyond the 2020. I'm not worried about your margins for 2020. But in 2020, considering the pulp cost, it probably has bottomed out, and by considering your own pricing strategy, like premiumization and also your capital intensity going forward. Do you think you can maintain a similar level of operating margin in 2021, like going forward or continue to improve. That would be my first question. Thank you very much.

CM: OK, Maybe, I should come back to what I have said for, you know, after the results of 2019. My expectation for this year is that our overall profitability will be better than last year and clearly, maybe not as good as quarter four because you clearly have a cycle in businesses which are tissue-dependent. I think that cyclability will not go away. You will always have high and low pulp prices, and, generally speaking, they are going a long way about 18 to 24 months in one direction and then they come back. My expectation is that Vinda will be less dependent on this cycle for that has more to do with the premium portfolio so that's good news. But we would still be impacted to some extent by this cycle. So, my expectation is that Vinda's future profitability will be more dependent on the cost side and hopefully less on the pricing side. Considering that when you have a strong brand portfolio, you can allow yourself to have a much more stable pricing policy and you can generally, if necessary, do price increases as the costs of raw materials are going up. Clearly, there will still be some dependence.

It is impossible, I cannot even forecast pulp prices for six months, let alone, for two years. So other than saying that my expectation is that the pulp prices will go up in the future, my current, depending on the speed at which they are going up, my expectation is also that we can retain a very significant part of our profitability. So, if you want to ask me for the longer term, the growth ambition has remained unchanged. We want to grow double-digit as a group and I think that is feasible and view opportunity on the market. And previously I always said we would grow at the high single-digit operating margin and I think with the shift of the portfolio, it should be possible to grow also at this type of speed with a very low double-digit operating margin. So, I expect the situation to continue for a while, but again the logic of the pulp prices going up and down hasn't changed. And if you have an exceptional year like 2018 when pulp prices increased

by 40% over five months. With this type of hit, any business would have struggled with that. But if you take a more normal, a slower evolution then, I think, Vinda has the opportunity to retain a double-digit operating margin.

LY: Thank you so much. It is very helpful. Would it be possible to share with us the personal care operating margin target in 2020 and when we talk about the premium products for tissue, we know that the gross profit margin is higher, but how high could be the operating profit margin level. That's all my questions. Thank you very much.

CM: OK, when it comes to the personal care business, my expectation is that, as you know, we are still relatively modest in China, and we will continue to invest strongly so the operating profit in the overall personal care will be positive, including Southeast Asia and North Asia, but it will probably be lower than tissue because of the investment in China, and I think that is something we could continue in 2020 and, depending on the growth, maybe even in 2021. But clearly, from an overall perspective, the tissue business is so large that it is hardly feasible in the group numbers as we have invested heavily in China. And you have a second question. Can you repeat that please?

LY: Yeah. For tissue, like the premium tissue, we know that the gross profit margin is higher. Is the operating profit margin level also higher than the average tissue operating profit margin? Thank you.

CM: Yes, that's correct. So, at our premium products, our gross profit margin flows generally also into higher operating profit margin despite the higher marketing investment that we have to do.

LY: Can you quantify that? How high...

CM: No, unfortunately, I cannot do that. You will understand why not. So, it is higher, but I cannot quantify.

VT: I think, Lina, as Christoph has said, now we have 27% of our total China sales coming from the premium portfolio products. And you see that improvement in our operating profit margin in this quarter. The proportion is so significant and the products we sell in Hong Kong there are a lot of tissue products in our premium portfolio as well because of the high market share of the Tempo. So, you can probably guess that the operating profit margin difference would not significantly deviate from the gross profit margin difference.

LY: Thank you Vicky.

Anson Chan (AC) from Daiwa Capital

AC: Thank you very much Chris and Vicky. I have a short one. It's basically on how shall we see the selling expense in the coming quarter? Do you think we need to scale up the marketing and also the brand building from a budget perspective, the budget set at the beginning of the year,

do you think the selling expense in the coming few quarters will be on a more normalized trend?
Thank you.

CM: Well, I think the overall expense when it comes to pure marketing investment in quarter one we have actually not taken down so all the brand building activities, we have continued to do them because we thought it was important even in the time of crisis to stay on top of consumers and certain activities we have moved from the pure brand building perspective to more CSR perspective. What was a little bit lower in this quarter is the general promotional expenditure, i.e., the cost we take by organizing major promotion in the key accounts and the general trade because there was basically no one available to implement that. But we do not think that this will have a very significant effect going forward because we will have very significant cost saving by covering factory overhead and general overhead because our sales will be, you know, going back to normal growth. The coverage of the overhead will basically absorb any additional investment and more promotion-driven activities. So, my expectation is that you will see, if you see impact on increase in marketing and sales numbers, you will see more at absolute level but probably not at relative level.

AC: Thanks a lot.

Carol (C) from CLSA

C: Thanks Christoph, Vicky and Josephine. My first question is on the retail sales momentum. So, could you please give us more color to quantify the first quarter or year-to-date retail sales momentum? That is my first question. The second question is regarding the current inventory level on the channel compared with the first quarter. Shall we anticipate continued restocking from our distributors or is it largely done? Thank you.

CM: So, first of all, I think quarter one is not representative of what is actually going on in the market. And the entire performance of quarter one was really much driven by the epidemic of novel coronavirus. So we have basically, we continued to have positive growth if we take China on its own, with positive growth in e-commerce, and all the other channels were negative. And the reason for that was clearly that the general trade was easy to understand, basically shut down under the orders of the government and so very little business was done in February until the end of March. Key accounts, we recovered a little bit faster in terms of opening the stores again after the compulsory a week and a half extension of the holidays, and they were basically operating at limited opening hours and they operated in a much more difficult situation because like everybody else they were struggling to get their staff back who had travelled into China and was blocked either locked down or quarantined or for whatever reason was not being there. To give you an example, at the height of the lockdown, about 15% of Vinda's employees were not in the location of their work. And it took some time to get them basically from one place to the other place to come back to work. And my understanding is that in the trade, the number is far more dramatic because they have a much higher proportion of people having travelled to their home cities and then only came back. They had been blocked there by the epidemic of coronavirus. So, I think, my expectation remains that e-commerce is the big driver and in China will continue to do. We have seen in quarter four and also the beginning of January, still the key

accounts have been doing a very good job. They have come back and being very good, being very focused. General trade has recovered. As I remember, in quarter four, if I look at the year 2019, it was one of the few years, first year again, when general trade also did well. And then you had a very vibrant B2B market. So, my expectation is that this trend of strong e-commerce, good key accounts, you know, slightly positive general trade and the strong B2B will continue in 2020 once the situation goes to a kind of normality. I think the channel which I see is the weakest in quarter two is the B2B because people are still at home. A little bit careful going out. Also, in some cities, we still have home working therefore the offices are of less use than in normal times. And my expectation is that this will continue for a while and slowly opens up. But on the other hand, my expectation for B2B is also a higher demand for more quality products and especially the introduction of hand wipes and this type of products, soap and wipes, etc. in public washroom areas because of the heightened hygiene awareness among the Chinese people but also of the basically institutions or businesses where these washrooms are, because I think, you cannot get away anymore with these washrooms without paper products inside after this pandemic.

Paul (P) from Schroder

P: Hi Christoph. I might have missed the beginning part. Are we now back to normal production? Are there any plants that are still offline? And also can you share the details of your capex plan? How much will it increase this year? And you mentioned also that the proportion of premium products in the product mix was 27%. What was it a year ago? Thank you.

CM: So, a year ago the 27% was 20%. I think it was 21.8% for the full year last year. And so a very, very strong growth on the premium side in relative terms. Production is basically back to normal everywhere or even actually accelerates because we are operating at 90% plus utilization to catch up with, basically refilling, the supply chain in China to the trade and also the higher consumer demand after the lockdown. So, across China, all the factories are working well and we do not foresee any short-term supply issues due to raw materials, packaging materials or anything else. When it comes to capex, we have done some minor capex which were not planned in order to increase our capacity for masks and wet wipes. Last year, we have about HKD1.3 billion... Vicky can you help me here, HKD1.3 billion, and some of that was delayed until 2020. So, our capex this year is probably somewhere around HKD1.5 to 1.8 billion. And this is a very fluid number at this stage because we do not know what the growth looks like in the rest of the year. If that happens, clearly we need significantly more capacity at the end of the year. We are currently working on two major projects on top of our personal care facilities in Malaysia. And that is one expansion at Yangjiang and one at Zhejiang. And they should come on stream in quarter one of 2021 and quarter two of 2021.

P: Thank you.

Zhang (Z) from Blackrock

Z: Hi, I just have a couple of quick questions on the mask production side. You have just mentioned that your capacity now is 7 million pieces a day. I'm just wondering if you have any plan for increasing your capacity? And of that 7 million masks, how many of them are for your company's own use, and how many of them are to be supplied to local governments for free? How many of them can be actually put up for sales? What is the profitability of the mask business? Thank you.

CM: The 7 million masks is the monthly capacity. We will not increase this further this year or the year after. We believe this is a very short-term necessity both from Vinda's manufacturing hygiene perspective as well as I would call it more of a CSR initiative. In the market, these masks are, how may I call that, most of this type of masks that you wear are worn by people in the cities so they are not medical or surgical masks from that perspective. They are produced in the right, hygiene, regulatory environment so we have a medical licence but the masks are not those that are used in the operation theatre, things like that. Look. If I'm absolutely honest, from my perspective, this mask business will not be a very significant long-term business opportunity. It is done out of necessity. The machine will be paid back, I think, Vicky tells me, this year or the early beginning of next year. And then we have to see whether what we do is a long-term business opportunity or not. When it comes to the split, Vicky, do you know what is the split?

VT: Over 80% of the masks will be sold to the local governments or we will coordinate with the local governments in selling the masks to the local communities like preparation for the restart of local schools. Going forward, we are looking into that. I think, probably, we will start with the B2B customers first because that provides us some leverage on the volume and also that move can allow us to leverage our B2B channel. But that is not our sizable business, as Christoph has said.

Z: And in the B2B part, is it possible? Or is it quite possible? Or is it not something meaningful?

VT: I think it is too early to look at this mask business from a normal commercial perspective because, like Christoph said, previously we do this part of business more from a CSR perspective, and going forward, we need to look at, like how the market is like, how should we implement the business plan? And how to combine it with other categories together? So, it is probably too early to say.

Z: Sure. Thank you.

CM: But just to make sure. We will not become a big mask business compared to our current operations so it is for me one-off which might continue for a while. But don't read anything very dramatic into this.

CM: Thank you very much for your time. I think in summary I would like to take away two messages. We had a very exceptional quarter. And a lot of the information that you have seen

in the market and from this call which concerns this quarter are quite exceptional and may be not the trend that we are seeing going forward.

And the second message is that we see that China is normalizing when it comes to consumption and business and in a very good way with increased hygiene opportunities and very good growth. We also see some slowdown in Southeast Asia and North Asia due to different timing of the pandemic being basically spreading to different countries. Therefore, our expectation is for a very good quarter two and we haven't given up on our ambitious level of double-digit growth for the entire year.

So, thank you for your attention and joining this meeting. I will you all the best. And please stay safe. I'm looking forward to seeing you in our next half-year presentation which as usual will be much more detailed at the end of July.

Thank you.