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Fagerhult AB (FAG.SE)

Q3 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello and good morning, and welcome to today's Fagerhult Group Investor Webcast for Q3 2021. My name is Emily, and I will be coordinating the presentation. During the call today, you have the opportunity to ask a question [Operator Instructions]

I will now hand the call over to our host, Michael Brüer. Please go ahead.

Michael Brüer

Chief Strategy & Communication Officer, Fagerhult AB

Thank you, and hello, everyone. And welcome to the presentation of Fagerhult Group's Q3 Report in 2021. My name is Michael Brüer, responsible for Strategy and Communications here at Fagerhult Group, and I will be the moderator here today.

On the call today, we have our President and CEO, Bodil Sonesson; and our CFO, Michael Wood. The presentation will be outlined like our last call. Bodil will start with a brief update of our Q3 and the year-to-date numbers and then give an update on the current and the future activities across the group. Michael will then give you more details about the performance of the group and the separate business areas, and then Bodil will conclude with a brief recap before we open up for questions.

We will first allow for questions from the conference call, and then we will allow questions from the webcast. You can post questions in the chat window on your screen and I will read them up for Bodil and Michael. Before we start, let me also remind you that today's session is recorded and will be available on our website afterwards.

With that, I hand over to you, Bodil. Please go ahead.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

So, thank you, Michael, and welcome, everybody. It's nice to be here again. So, I will start with a short summary of Q3, and we continued to see a very good recovery in the market's activity levels, which are reflected in the strong order intake in the quarter and this is now valid for all our European markets, which is a positive development and a positive development since we spoke last time. On a global scale, we still see the impact of COVID in some market, as an example, Australia.

And after the summer holidays, we are almost back to normal working conditions on the commercial side, which much higher face-to-face interactions and [ph] events (00:02:20) with customers. We will continue to use digital channels now, but now by choice and not by necessity. But of course, we continue to monitor the COVID situation in the individual countries.

So, the third quarter was more impacted by the supply chain challenges as we anticipated in our last Q2 call, and we determined that we had SEK 68 million that could not be delivered in the quarter. And this was caused by delays in components, but also global logistics and [ph] site delays for (00:02:55) other service and materials. And as you know, lighting is often in the end of the building process. And we do our utmost to keep our service levels up to our customers. [ph] That (00:03:10) demands a lot of work internally and especially I would say that the situation is still quite unpredictable.

We continue, as you can see, to see very healthy margins. Thanks to the increased market activity and good cost control. And that is a result of all the activities we initiated last year, and therefore, we delivered a strong EBIT number for the quarter. In the quarter, as we have previously press released, we completed the acquisition of a North American subsidiary, and I will give you some more information about that during this presentation.

Also on sustainability, we continue to see a lot of good of activities in our different brands. And, again, I will give you some examples in the presentation today. This is a very important area for us. Therefore, we also continue to work on refining our group's sustainability targets. We have conducted an extensive materiality analysis during the summer and early autumn. And as a basis and with the goal of being able to present updated target on a group level beginning of next year.

So, with that, if we look into the Q3 numbers, they're all positive. We have an increased order intake with 14.5% organically and a net sales increase with 3.7% organically in the quarter. That growth would have been 7.7% if it wouldn't have been for the supply chain challenges. And the EBIT reached SEK 184 million, which represents an EBIT margin of 10.6%. And a year ago, the number, EBIT number was 8.5% and earnings per share was SEK 0.72. And Michael will come back with some more detailed information about that later on in the presentation.

So, if we then move to the first three quarters year-to-date, there, of course, was clear improvement compared to last year. Order intake increase with 12.2% organically, which is up from the half-year numbers and leading to a strong order backlog that is up 47% compared to the beginning of the year. And net sales are up 7.5% organically, and EBIT increased substantially from SEK 308 million last year to SEK 545 million this year, which represents an increase of 77%. So, I would say that this is showing clearly that we are back to healthy EBIT levels. And there has been a lot of hard work done by the organization and we have also substantially lowered our cost levels, both compared to 2020 and 2019. Compared to 2019, we have lowered the cost level by SEK 182 million.

So, that was the number part of my presentation. And as Michael said, I will go into – looking in little bit more on to market-related updates to present what's happening in the market around us and some of the key activities that happened in the quarter with regards to our focus areas.

So, the first slide is a little bit of a recap what we have shown you before, but I think it's important to highlight it, because it shows how we in the lighting industry can make a big difference for the climate. And one of the main point is by reducing the energy consumption in buildings. And we started this work quite a few years ago when we went from conventional lighting to LED lighting, which brought significant energy savings. But how – there is still a big potential from this technology shift as the share of installed LED lighting is only around 30% in Europe.

And now, when we see a lot more initiatives and programs regarding energy savings [ph] like EU Renovation Program (00:07:21) that will help to drive this shift and I think that is also very, very important and a necessary shift. We also know what you see here on this slide that connecting the light and optimizing its usage based on presence will give additional 70% energy efficiency. And that is the reason why we're working on our connectivity approach, working developing great solutions. We also are working a lot with the market. And I will not speak so much about that today, but we will continue to continuously come back to it. And we also continue to see that is very well-received by the market and our customers. And all of this is, of course, connected to that we want to make a difference for the climate and also think that we have a big responsibility for it.

So, if we then move to next slide and across the group to give you a few, as I said, a few examples of initiatives, we see many regarding sustainable solutions and also focus on circular business model and use sustainable materials.

And maybe remember from last time, I mentioned the product called Multilume Re:Think from Fagerhult [indiscernible] (00:08:34) which is made out of recycled paperboard that we launched in Q2, and which has also been well-received by the market. And in September, Whitecroft launched their new concept within the circular economy platform, which is called Vitality, and the [ph] the approach (00:08:55) is called ReLight, and the aim is to reuse and regenerate instead of to replace with fully new products.

So, the focus is to look at the carbon savings in existing building infrastructures. And this is we spoke about the EU Renovation, but there is a similar program in the UK which is called the UK Public Decarbonisation Program. And in this program, 80% of today's buildings are estimated to be in use beyond 2050, and the equivalent number for the EU is 75%. So very similar numbers, and that is – it's so important to upgrade existing buildings that becomes so much more important.

So together with customers, Whitecroft develops a tailored proposal for how to upgrade their buildings. So instead of saying we take everything out, we're looking into detail at the spaces and bringing solutions that offers the greatest potential for decarbonization and at the same time improve the lighting quality. So, I think this is a new and exciting initiative that we will see much more of.

If we don't move to another topic, which is also very important for us, is – and I think it's something we all can relate to, especially in this month of October going into November, and that is how lighting affects us when we're sitting inside all day. So, research tells us that we spend up to 90% of our time indoors. But this is also part of our sustainability approach from an ESG perspective, and that is the effect of lighting on us as human beings in our everyday life. And we've been running studies for many years with a few universities around the world and together with the University of Aalborg in Denmark, we have worked on the research project on DDL, which means double dynamic lighting, and there, the purpose is to mimic daylight as much as possible and the positive impact of daylight has on people.

So, based on this work, we have developed a new, innovative product for office use and you can see it on the slide on the picture. It's called Notor 65 Dynamic. And what we're doing is that we're using different types of direct

and indirect lighting. We can create lighting that is – mimics nature and thereby increasing wellbeing. So, if you want more information about the concept, there is much more to read on the fagerhult.com website.

So, that was for lighting for healthy indoor environments. And then, if we look at my last slide in the market update, as we have already press released when we did this, on August 30, we completed the acquisition of the remaining shares in Sistemalux Inc. And Sistemalux is based in Montreal, Canada, and has a long-term business relationship with iGuzzini. So, besides offering Premium lighting solutions under the brand of Sistemalux they've also have been responsible for the successful introduction of the iGuzzini brand on the North American market.

And iGuzzini acquired the first 70% of the shares in 2018, and now we have completed the acquisition of the remaining shares. And the net sales of Sistemalux in North America is around SEK 300 million. And why do we do this? Because this gives us full control of how we want to continue to invest into the North American market, which we see as a very interesting opportunity for us in a step-by-step approach for the long-term. And the reason for that is, when you look at the North American market, many similarities with Europe in the underlying drivers, but also in the size. And we have so far, we have a presence now with iGuzzini and Sistemalux, but also our brands WE-EF and LED Linear present on the American market. And it's all part of our business area Collection, which are brand with a focus on the high end markets through specifiers.

And you might remember that we already have an office in New York with iGuzzini. And this is important for us because New York is probably the city of the world with the highest number of specification in international lighting projects and with a very high number of lighting designers.

So, that is my end of the market update. And, we like pictures of lighting. So, here we have chosen a different one this time to show how you can use lighting in innovative ways and contribute to more than just lighting. So, this is in Germany, the city of [ph] Elsburn (00:13:39). So, you see a green light here. And it's light lanes in the street that guides people in the city. So, the green light leads to the park and the blue lights leads to the river.

And with that, I will hand over to Michael to tell you much more details about the financials. Thank you, Michael.

Michael Wood

Chief Financial Officer, Fagerhult AB

Okay. Thank you, Bodil, and thank you, Michael. And welcome and good morning to all listeners from myself as well. First of all, let me start by saying we are pleased with what we report in the third quarter. The recovery continues to make good progress. And, indeed, it's progressed which is earlier than what was expected during the closing months of 2020. The group's decentralized structure helps facilitate a speedy recovery of the decision-making processes largely local.

As stated in the report, all key measures from order intake through net sales to operating margin are ahead of last year at SEK 1.745 million. Quarter-on-quarter, net sales were organically ahead of last year by 3.7%, and with growth coming from all of our main markets. Unfortunately, in the quarter, the global supply chain challenges that are commonly known presented increased headwinds and negatively impacted sales by SEK 68 million as Bodil mentioned earlier on. Without this impact, the net sales growth would have been over double at almost 8%. [ph] Both (00:15:10) headwinds and the impact of disposals are not significant in the quarter.

The operating profit of SEK 184 million delivered a strong double-digit operating margin at 10.6% in the quarter. This is despite the headwind challenges that delayed sales and cost pressures from the supply chain. Earnings per share and operating cash flow continued to develop well and I'll come back to that in a little later.

Looking at sales development, we can clearly see the development of the rolling 12-month net sales beginning now to come back consistently from the COVID situations. Order intake growth is significantly ahead of net sales growth, and this results in a very significant SEK 1.9 billion order backlog as at the end of the quarter.

There are early signs of some improvements in the supply chain challenges, small improvements, but it's still positive improvements nonetheless. We continue to have the opinion that these situations will continue to improve as we proceed through the fourth quarter of this year and also through into the second quarter 2022.

Looking to the margin very quickly, I do remind of this again. Q3 and Q4 in the light gray there is just a reminder that they were adjusted as a result of our exit from South Africa during the back end of 2020. The third quarter, on adjusted operating margin of 10.6% compares very well to what we see on the market and also compares very well to the adjusted 8.5% from a year ago. The rolling 12-month operating margin at 9.7% shows continued good recovery over the last seven quarters. In fact, it is the highest level in 12-month operating margin since the end of 2019.

Let's just drop now into the individual business areas, and we'll take Collection first. The business area Collection continues to deliver a very strong order intake, plus 14% in the quarter; and the net sales, which is affected more so than our other business areas, of the SEK 68 million, SEK 37 million was attributable to business area Collection from the supply chain challenges. This delivers, though, an increased operating profit and an increased operating margin compared to last year. The business area has a very high order backlog as we head into the fourth quarter.

Going into business area Premium, which is our mainly European based operation that we have. In the Premium business area, we report a positive and a welcome increase in market activity and order intake in the important Nordic region.

Furthermore, we continue to see good growth in UK, France, Spain, Poland and the Benelux region also of the European mainland. At a growth rate of 27.3%, the quarterly organic order intake was very strong. In the quarter, we delivered a 46% growth in operating profits, resulting in an operating margin of 15.5%, which is at the record level for the business area.

Moving now to business area Professional. Results in the Professional business area do remain strong. Net sales continues to be ahead of last year, with good growth in the UK and developing growth in Australia. The operating profit is more than double Q3 last year and results are becoming increasingly stable. In the quarter, order intake was a little less than in previous quarters, mainly due to the UK market. The results have returned to pre-COVID levels and the order backlog position is flat compared to a year ago.

Lastly, coming to our business area called Infrastructure, order intake growth is very, very significant. It continues to grow strongly and the order backlog position is almost 150% ahead of last year. All three businesses generating a good order intake and each of those three businesses have some very nice large projects in their own backlog position. The most significant growth opportunity does remain here in Europe for Infrastructure, and we continue to work on our go-to-market approach for the three brands to grow our market share.

Coming to the cash flow, the cash flow is positive, it remains positive. You can see that from Q1 to Q3. Whilst at the same time the group invested in inventory levels to support our customers. We've invested approximately SEK 200 million additional inventory during the first nine months, and this is helping to keep our support and service levels to our customers at a good level during these difficult supply conditions.

Cash flow is anticipated to be positive again during the final quarter. We will return to inventory management best practices when the supply chain challenges have been overcome and the conditions return to a more normal situation.

Looking at our net debt development, nice and consistent is what you see, but just as a quick reminder that the chart for the net debt is adjusted for IFRS 16, and the chart for the net debt to EBITDA is adjusted for IFRS 16 and the impact of acquisitions and disposals. We report a closing net debt EBITDA ratio of 2.26 times, the lowest ratio since the end of 2017, and the IFRS 16 adjusted net debt is just over SEK 2 billion. Liquidity in the group is at a good level.

Finally, looking at the earnings per share development, again, another reminder that the EPS stated the Q4 2020, you can see the large bar on the chart there, so that's Q4 benefited from the new Italian tax decree that was issued during 2020. And so details of that you should refer to our Q4 report and the annual report. EPS in the quarter, SEK 0.72 per share, was significantly ahead of the measure for 2020, and the year-to-date position of 2.03 is more than a factor of times 4 than where we were a year ago.

Before handing back to Bodil for closing and Q&A just a quick summary of our key messages on the financials. Order intake continues to develop well and order backlogs are at high levels. Net sales are temporarily affected by the supply chain challenges. Cost levels are under control and operating margins are healthy. And we are very prepared to when the supply chain normalizes.

With that, I'll hand back to Bodil, and as you see, another nice project reference picture that we see on the slide in front of us.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

Okay. Thank you very much, Michael. And we'll do one slide of recaps. And as I hope that you've seen from all Michael's numbers and our numbers, Q3 was a good quarter and with all measures positive. And we are pleased to see the continued good recovery and the growth in order backlog. And I think thanks to all the good work that was done last year, we have also returned to stable EBIT levels even if we're operating with a little bit of lower net sales.

The global sales – the global supply chain challenges continue and we expect them to continue, as we heard Michael saying, at similar level until the beginning of 2022, yes. And we will, of course, continue to do everything we can to mitigate those challenges and ensure we can continue to serve our customers in the best possible way.

We also see good progress with our strategic initiatives. We have good collaboration regarding our sustainability and connectivity initiatives. Really happy to see all the activities that is ongoing and the different brands and how quickly it's been taken up and how quickly actions are happening. So, now, we are – with this, also what you saw me, we are looking forward to start up our strategic planning for the North American market. And I'm sure that we will hear more about that in the future and coming back to it regularly.

So, with that, this ends the presentation part and we will open up to the questions. So, I hand over to the other Michael for taking care of the question-and-answer session.

Michael Brüer

Chief Strategy & Communication Officer, Fagerhult AB

Thank you, Bodil. And with that, we ask the operator to open up for questions from the conference call.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We have a question from the phone lines from Mats Liss from Kepler Cheuvreux. Your line is now open.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. Hi. Thank you for taking my question. I just had a – well, looking at the order intake, it's improving nicely there. And I was just sort of wondering a bit about the sequential development during the third quarter [indiscernible] (00:25:25) sort of picking up or is it stable or could you say something about that?

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

A

On the order intake side?

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yes, please.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

A

Yeah. First, if you look into it, I think that the activity levels are continuously very good. So, if you look into the order intake for the quarter, we had, as we said, 14.5%. And, also, if you look into the order intake from a year-to-date perspective, as I mentioned, it's been increasing with 2 point – 12.2%, which is a little bit higher than we were on the half-year numbers. So, yes, I would say that the order intake numbers are continuously positive.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Maybe I can ask you a bit differently. I mean, the supply chain issues and so on, do these issues mean that the customers are more reluctant to place an order currently or is it sort of – doesn't matter they are prepared to take a longer lead time to place their order anyway?

Michael Wood

Chief Financial Officer, Fagerhult AB

A

Okay, Mats. Good morning. Michael here. I'll take the remaining part of this one. What we don't see at the moment, Mats, is any canceled orders, which is a positive statement. What we do see is continued good organic order intake growth, as we can see from the 14.5%. This did accelerate through the third quarter from the three individual months, July to September. We're not yet experiencing delayed order intake anywhere nor anywhere above our normal level. People do talk about orders coming in and being received, but then it might take another two to three weeks. But, for us, that's fairly normal in the lighting industry.

So, to summarize both Bodil's response and my response to your question, it – order intake continues to develop well. We're not seeing cancelled orders. We are seeing a positive trend on order intake, and we're almost now

getting back to consistently 2019 levels. If you look at the last seven months for us, four out of those seven months on order intake were above the same level in 2019.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. Thank you.

Michael Wood

Chief Financial Officer, Fagerhult AB

A

I hope that...

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. It does.

Michael Wood

Chief Financial Officer, Fagerhult AB

A

...gives some clarity to your question.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. Yeah. Thank you, both. And then about sort of [ph] to an extent (00:28:21) that you keep your market share? I mean, if you could say something about the total market situation and your view on the market position, if you sort of take a fair share of the orders out there.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

A

It's a good question. And I think the simple answer to it, what we see is, yes, we think we're doing quite well, if we look into – what we see around us and the market otherwise. So, the very simple answer to that would be yes, that we have always look at numbers, which are historical numbers. But if I come back again to the activity level and what we see, I would say we are in a quite positive trend.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

And maybe, I mean, looking at earnings, the margin there is improving, but then, again, I mean, can you say something there about the order backlog mix, if you sort of experienced improving – if you should expect an improving margin or are you able to handle the increased cost. And so, coming out with good sales going forward with the margin trend?

Michael Wood

Chief Financial Officer, Fagerhult AB

A

Yeah. I think we're continuing to give it – as we've said in the presentation on the Q3 report, I think we continue to give good service to our customers despite the supply chain challenges. I think we're handling it very well. I think that we are slowly a little bit growing our market share, because we do get customers coming to us in a little bit of a surprise way [indiscernible] (00:30:09) supply and order that we weren't originally aware of. And so, I think that's an indication that we do serve the market quite well.

When it comes to the cost inflation, this supply chain challenges and the cost pressures that everybody faces is exactly that. And so, it's a situation that everybody faces. It's a global situation and we are passing on those cost increases through our luminaire price increases to the market, probably started towards the end of Q2 with some price increases in some of our brands and that carried on all the way through Q3.

Now many of our luminaire brands have put at least one, some put two price increases to the market. And then, some are gearing up ready for a next one, either a second round or a third round at the beginning of the New Year. So, we're not getting – should I say we're not getting complaints on that because I think the world is understanding that we're in this inflationary time.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

A

And then, I also think if you look upon it, I think something we've been thinking about before in terms of how we deal with purchasing from our side, we have extremely good collaboration within the group whether it's the [indiscernible] (00:31:32) who's working with us and been doing so for many, many years. We think it's one of the parts where we have a big advantage of being a group with a strong collaboration within all the 13 brands.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Great. And just a final one, I mean, you say there – I mean, we have all heard about the semiconductor shortages and so on. And could you say something about components and areas where you've seen the [indiscernible] (00:32:08)

Michael Wood

Chief Financial Officer, Fagerhult AB

A

Sure. Yeah. Not surprising, Mats, it's an area that we are putting an enormous amount of resources too. As Bodil mentioned, the forum that we are purchasing has very good relationships with some very large key suppliers to the Fagerhult Group. And through that conduit, through that channel, it comes in through those large supply chains and then across to all of our luminaire brands and all of our factories.

So it works in a good way. Of course, there are semiconductor challenges. But what we're doing here, we're improving what we forecast now to our large supply chains. We're forecasting now for demand levels towards the end of 2022. And we're also placing firm non-cancellable orders for the next six months. And in this way, working week-to-week talking with our large supply chains that have an interest in semiconductor-type material components, we are securing our deliveries over the next six months with firm purchase orders. And then beyond that six months, mobilizing their resources through to our supply chain on our improved forecasting system.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. Great. And just...

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

A

You can see here and I think, that's what we see – what we can see in this is it demands more resources and, certainly, both from the purchasing side, but also to coordinate with the customers. So, there is a lot of effort going into it.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. Great. Yeah. I can imagine it. And just the final one, I mean, the delayed sales now, do you expect to sort of get some of that out before the year-end or is it sort of digital...

Michael Wood

Chief Financial Officer, Fagerhult AB

A

Yes. I think we will. No, you're right. It is difficult because it is a little bit like a wet sponge, Mats. You know, some of these things come back to us today for next week's deliveries. So, it is a little bit unpredictable. But, yes, some of that SEK 68 million will go out in the fourth quarter, but I fully expect that there will be some delays in the fourth quarter into 2022.

So, we're not going to be through this fully in Q4 or Q1 of next year. Probably, people say, and we've said consistently, it's towards the middle end of Q2 when we can probably look back on this situation and let's hope that that continues to be the situation, because that's what we're planning for.

But, until we get there, we do think there will be some interruption for the SEK 68 million to repeat at a certain level, Q4 going into Q1 and, probably, Q1 going into Q2 but, hopefully, with a slightly less impact as we move through the summertime of next year.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

A

So, it's more slow and steady than you will see very big movements because there's so many different factors involved into this.

Michael Wood

Chief Financial Officer, Fagerhult AB

A

Yeah.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. Great. Okay. Thank you very much.

Michael Wood

Chief Financial Officer, Fagerhult AB

A

Thank you. Thank you.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

A

Thank you, Mats.

Operator: At this time, we have no further audio questions. So, I'll now hand back to the management team for any webcast questions.

Michael Brüer

Chief Strategy & Communication Officer, Fagerhult AB

A

Yes. So, thank you very much Mats. We also have some questions from the webcast. I think we've touched upon most of them in the discussion here. So, there's also been one more forward-looking here. What do you see as your focused areas and most growth potential for the next couple of years here?

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

A

Thank you, Michael. I think when really I was highlighting to some of it, I mean, our strong focus on the sustainability and the connectivity side of things will of course continue driven by market, how we see the marketing development, but also what we can do from the climate side and therefore our focus is also on coming with sustainability target, update the sustainability target next quarter, first quarter next year. And I think also, as we've spoken about before, I mean, the work continues in the different business areas. And I would say in the different business areas, there is growth opportunities in all the different geographies or geographical growth opportunities in all of them. We see North, so Collection is one example.

We see opportunities with the collaboration between Fagerhult [ph] for leasing (00:37:00) and LTS in Germany, where we see interesting opportunities. We also see opportunities in Infrastructure, when you look into the industrial side. They are currently working on more resources in the Nordic countries. But also they see an increased demand, for example, from the German market. So, with our different business areas and the continued strategic work, we will continue to work on those growth opportunities.

Anything to add, Michael?

Michael Wood

Chief Financial Officer, Fagerhult AB

A

No, I don't think so. We do see opportunities from a geographical region perspective. We do see opportunities from market-based-driven activities like sustainability and connectivity as a response to the energy saving demands and things like the EU Green Deal and decarbonization in the United Kingdom. But also we've got 75 years at least pedigree of designing great luminaires and that we will continue to do. So, all of our brands of great luminaries in our portfolios and that for us, from a geography and a connected solution, connectivity solutions, that for us is really important.

Then you take all that mix and then you have an approach in North America, you have a consolidation and dominating our presence here in European market with particularly with the Premium business area, and then further appeal with some of our more global brands in the business area Collection from international specifications and working together.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

A

So that means that we see opportunities in connected sustainable lighting solutions...

Michael Wood

Chief Financial Officer, Fagerhult AB

A

Yes.

A

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

...in many areas.

Michael Brüer

Chief Strategy & Communication Officer, Fagerhult AB

Great. And with that, I think we're done with the questions. Thank you very much, Bodil and Michael. And I think that was also a good conclusion and summary of what we see for the future. So thank you, everyone, for joining today's conference call and our Q3 presentation. We hope to see you again when we come with the full-year results and Q4 results on February 24. So, again, thank you for today.

Bodil Sonesson Gallon

President, Chief Executive Officer & Head-Business Area Collection, Fagerhult AB

Thank you, everyone.

Michael Wood

Chief Financial Officer, Fagerhult AB

And thank you from me.

Operator: Thank you, everyone, for joining today's call. This now concludes our conference, so please now disconnect your lines.

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