Essity Aktiebolag (publ)
Interim Report Q3 2022
October 27, 2022
9:00 a.m. CET

Slide 1 – Interim Report Q3 2022

Joséphine Edwall-Björklund:

Hello, and welcome to Essity's press conference about our third quarter interim report 2022. I'm Joséphine Edwall, Head of Communications, and today our President and CEO, Magnus Groth, together with our CFO, Fredrik Rystedt will go through the highlights of the report. And of course, we'll have a Q&A in the end. So, Magnus, with this I hand over to you.

Slide 2 –

Slide 3 – Summary Q3 2022

Magnus Groth: Thank you very much. Good morning, everybody. To summarise the third quarter, we saw sales growth of 17.3% with strong contribution from price 14.5%, but also and very importantly, volume growth in all our three business segments and the positive mix. So, a combination of all these three parts of the overall growth. And to that, in addition, 1% of growth coming from acquisitions. Adjusted EBITA was close to SEK 3bn, and the EBITA margin, 7.5%. We continue to see significant cost inflation in the third quarter, especially on energy, but also on distribution and raw materials.

Having said that, we continue to focus on all the great things that is making Essity a successful and leading company in health and hygiene. That's innovation and brand building, continued focus in efficiencies, and we see benefits coming from, in cost of goods sold, in the short term offset by inflation, but still very good savings. And longer term, our efforts in digitalisation and sustainability are paying off. And I'll talk more about that in a minute.

In the quarter, we also closed the acquisitions of Knix and Modibodi, two leaders in leak proof apparel.

Slide 4 – Adjusted EBITA Margin, Q3 2022 vs Q3 2021

So, taking a closer look at the adjusted EBITA margin, which was down 400 basis points compared to a year ago to 7.5%, with a big negative impact on gross margin offsetting the higher prices and volumes I just referred to. Raw materials, energy and distribution had a negative impact of 1270 basis points in the quarter, so, quite significant. And we saw an increase in all these three cost items in the third quarter.

A&P and SG&A contributed positively to the margin. A&P was slightly lower compared to a year ago, while SG&A was slightly higher. So, even though margin was down, the offset of the headwinds was very, very successful. I'm very proud of the achievements done throughout the organisation.

*Slide 5 – Input Cost Increases vs Implemented Price Increases,
Accumulated sequential development since Q4 202*

We talk a lot about costs, costs, costs, and how we are able to compensate when it comes to pricing. And we've been clear over the last seven quarters, since costs started rising in a way that we've never seen before, that we will fully compensate the cost inflation from raw materials, from energy, and from distribution with pricing. And this graph shows how we're doing in that respect. So, each of the bars is the quarterly cost increase compared to the fourth quarter of 2020.

So, we're not looking sequentially or year over year. So, it takes a while getting used to this graph. But for instance, in the third quarter of 2022, the quarter we are in now, we had SEK 6.4bn higher costs compared to the fourth quarter of 2020. And as you can see every quarter, it's been increasing compared to the previous quarter, this difference to Q4 2020. And as you can see, so has our pricing and actually at an accelerating level, but there's still a lag. And we have analysed this in detail and see some very positive developments.

*Slide 6 – Input Cost Increases vs Implemented Price Increases,
Accumulated sequential development since Q4 202*

And if we take the price increase line that you saw on the previous graph, it's here also in magenta, and just move it horizontally two quarters to the left, you can see that we are compensating for cost increases in energy, raw materials and distribution with a little bit less than two quarters. So, much, much faster than we ever did before.

And this is an achievement that we've never seen in the organisation before. There's a difference. We compensate quicker in the tissue categories. It takes a bit longer in Health & Medical. But overall, this proves that we are catching up with the significant cost increases with pricing and doing that while still having positive volumes and mix.

Now, the big question is, of course, what will this look like going forward? And we will not give any estimates about margin development in the coming quarters. But when it comes to costs, it's clear that distribution costs sequentially, we expect to be quite similar to the third quarter. Energy costs, impossible to predict in Europe these times. 70% of our energy costs are hedged. Those hedges are significantly more costly in the fourth quarter than in the third quarter. So, we'll see sequentially higher costs there. However, the 30% that are not hedged are very difficult to predict. But looking into October, so far, energy costs have been quite low, but there's still two months to go in this quarter. So, very, very difficult to predict.

And finally, raw materials, where we expect in the fourth quarter to see higher raw material costs. And this is what we will see in our books. And it's a consequence of changes in currencies in combination with some raw material price increases that we saw in the third quarter that rolls over into the fourth quarter. And I'm underlining that since many of you are seeing that from a global market perspective, a number of raw materials are now flattening out. But in our books in the fourth quarter, we'll still see higher raw material costs. So, that's the near-term outlook when it comes to costs and when it comes to pricing, as we mentioned after the second quarter, we expect to see good pricing momentum also in the fourth quarter from a percentage perspective in line maybe as third quarter. But from an overall perspective, higher price impact, positive price impact in the fourth quarter than in the third quarter.

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I mentioned to say something more about innovation and the digitalisation. We continue to focus very much on innovation based on sustainability. Here are some examples. We have more sustainable packaging for all our baby diapers in the Nordics. We have also launched a really exciting innovation with a very positive impact. It's the Libero Touch Hybrid Diaper, which is a textile pant which includes an insert, an absorbing insert, that is then disposed of reducing the CO_2 footprint significantly. Very exciting. Something that we're just launching as we speak.

Slide 8 – E-commerce, 14% of Net Sales Q3 2022, SEK 5.7bn

Getting back to e-commerce as well now accounts for 14% of net sales in the third quarter. That amounts to SEK 5.7bn. So, we're a big player in e-commerce by any measure, and those SEK 5.7bn are split quite evenly between pure players and multi channels. And the growth compared to the third quarter of last year was 20%. So, good progress here. It's important for us. This is where - I mean, we know that after the pandemic this channel has grown somewhat slower, but in the longer term, we're absolutely convinced that this is where we need to be to grow in the growing and winning channels. With that, I'd like to invite Fredrik, our CFO, to give some more detail on our three business areas. Welcome, Fredrik.

Slide 9 – Health & Medical, Q3 2022 vs Q3 2021

Fredrik Rystedt: Thank you, Magnus, I will do exactly that. So, starting with Health & Medical. We continue to do quite well in terms of organic sales growth, with strong contribution both from price/mix and also from good volume development. And growth was particularly strong in Latin America and in Eastern Europe. We've talked about Medical continuing to grow, and especially there woundcare did really well in the quarter. So, the cost headwinds we've talked about, Magnus alluded to that earlier, have been very significant in the quarter. So, as you can see on on the slide here, 980 basis point margin impact, and to a large extent we compensate with price. But as we have reported many times, the structure of this market makes it more time consuming to fully compensate in terms of price.

And if you look at that and decompose that slightly, more roughly, about 40% of the business relates to tenders, and tenders will have a kind of an average length of about three years. So, you can pretty much reset about a third of that every year. So, that makes it time consuming to actually adjust the pricing. If you take the rest, about 40% relates to reimbursement business, and of course price increases there are subject to government decisions or indexation and other things. And of course, that's also quite timely, takes very long time, and - but it does happen, and within this quarter, although not affecting us quite yet. We saw an example of where such indexation has actually moved into the Netherlands, where the index increase was 9.5%. So, price increases happen also in that part. And the remaining, about 30% or a bit less than 30% is more self-pay or e-commerce where the flexibility is higher.

So, if you take this composition, needless to say, it takes time, and we are quite pleased, given that structure, with the development when it comes to pricing. But bearing in mind the kind of time lag. Magnus talked about the group before with less than two quarters, here it's much longer. So, of course, obviously, we will need to continue to increase prices as we progress now in coming quarters.

Slide 10 – Consumer Goods, Q3 2022 vs Q3 2021

So, turning to Consumer Goods, really strong organic sales growth. You can see here that the organic growth was just under 18% or 17.6%, and a bit more if we include the acquisitions that we've had. And once again here, good contribution from particularly price, but also mix and volume. It looks fairly low if you look at the volume there with 1.3%. But here we're quite impacted by our Russian business being much, much lower now. So, excluding that, volumes actually increased with about 2.5% or in that ballpark.

And you can see that all categories continue to increase with the exception of Baby here being flat, as you can see. But this is largely due to the exit or the closure of our diapers business in Latin America, as we have reported a couple of quarters ago. And if you exclude that deliberate exit of the market, organic sales growth in Baby was roughly about 7%. So, generally, the demand was actually quite good all over for us, and particularly so as an example in the personal care categories in Latin America. And we continue to expand the e-commerce business pretty much everywhere. And as an example, once again, perhaps using Latin America, we are now market leaders in all categories in that area. So, quite a strong development.

Down trading has been a discussion. And although in the context of things really not very material for us, we don't see that much of signs from down trading anywhere in our business. But there are signs in particular markets. So, once again, Latin America, there are some down trading with the premium segment being slightly lower now, or a bit lower than we've seen, for example, last year. We see bits and pieces elsewhere like the UK, where there is a bit of down trading. But so far, no kind of material impact in our books.

So, input cost headwinds, as we talk about for all the business areas, 1,450. So, just very material. And of course, obviously, a lot of that in Consumer Tissue, and of course we compensated here in all geographies and all categories with price. So, to an average of about 16%. So, quite significant price increases everywhere. Needless to say, and that's of course not a surprise, the biggest price increases have happened within the Consumer Tissue area. And of course that's also because that's where we are most affected by input costs and of course, not least, energy. So, as we look forward - Magnus, you alluded to it, sequential cost will continue to increase partly due to just adverse currency movements and lag impact. So, we'll see higher cost also sequentially in the fourth quarter, and we will continue obviously to raise our prices everywhere.

Slide 11 – Professional Hygiene, Q3 2022 vs Q3 2021

So, turning now to Professional Hygiene, it's actually the area where the organic sales growth has been the strongest. And here, a bit different, you can see that mature markets is actually growing faster than emerging markets, although growth is strong in both areas, so to say. There are a couple of explanations to the emerging market numbers there. First of all, once again, Russia.

So, if you just exclude Russia from the equation, the 2.6% there you see in volume would have been 4%. And the other main factor is China, where COVID restrictions are clearly still impacting quite significantly the volume growth. So, generally, the markets continue to recover from COVID. So, it's pretty good in most places. And just as an example, we can see that our hotels and restaurants and catering business have benefited from a strong tourist season in Europe as an example. So, generally quite good markets. Now also for Professional Hygiene input costs have been very significant. And you can see here 1000 basis points impact. There is also as for the other areas increases in SG&A, and we managed to compensate here a significant part through price increases.

So, very, very strong in the quarter, and in fact Professional Hygiene is the area where we've been the fastest in raising our prices. And if you look at the EBITA and you compare it to the last year, it's actually higher now. Margin is still lower on the back of raw material, and just a higher sales number. But the EBITA is now higher in Q3. So, we're quite happy with that. And also here, obviously, input costs will sequentially continue to increase, so we'll see more price increases as we progress in coming quarters. And with that, Magnus.

Slide 12 – Priorities

Magnus Groth: So, to sum up - before doing that actually, good thing you mentioned Russia, because the impact on overall group sales is close to 1%. And I think that's important to note. It's a declining business that is up for sale, and we are in that process and we'll give more information as that divestment process progresses. But in the meantime, sales are down considerably compared to a year ago.

Priorities. Very clear. We continue with very, very disciplined and very successful price execution, and doing all the things that are so important for our competitiveness and success in the long term, creating fantastic brands for our customers and consumers through innovation and brand building, efficiency improvements with an even stronger focus on energy efficiency, which has been prioritised for us for many years. But now, of course, also seeing a way of combining efficiencies with sustainability improvements, reducing our carbon footprint in our global plant structure.

Digitalisation. We can see how that's helping our e-commerce as one example, and sustainability throughout the organisation from the supply chain to the products that we are launching to our customers and consumers. So, thank you for listening. With that, we open up for Q&A.

Slide 13 – Welcome to web presentations of our Business Areas!

But before, I would like to market an upcoming event that's very exciting. It's actually three events, our web presentations of our business areas. And these three business areas we introduced at the beginning of the year. Since then, we have also announced an organisational change that aligns our organisation with these business areas, and we would like to give some deeper insights now that we're soon one year into this new way of both presenting ourselves and more and more organising ourselves. So, as you can see there, there will be one hour presentations on three consecutive days, one for each business area. So, put that in your calendar. It's very welcome. I look forward to seeing you then. And with that, we open up for questions.

Slide 14 – Q&A

Operator: The first question comes from the line of Niklas Ekman from Carnegie. Please go ahead.

Niklas Ekman: Thank you. Just a couple of questions from my end. Firstly, on the margin outlook, and I recognise here that you said that you don't want to really comment on the margin outlook for Q4, but I assume this is given the input cost volatility. But based on where we are now, would you say that we are kind of past the trough in terms of margins, all else equal and assuming that input costs would stay at this level? Is there anything you could elaborate a little bit on? That would be helpful.

Magnus Groth: Not really. It's so volatile and unpredictable that I think I elaborated both on cost assumptions for - to the extent it's possible to predict for the fourth quarter and on our pricing initiatives. So, that's my elaboration.

Niklas Ekman: Okay, fair enough. Can you say anything about energy hedges here? Obviously, the energy prices have come down quite a bit from the peak levels in late August. Where are your energy hedges here on average? Would you say that they're still below the current levels, or would you be above the current price levels with your hedges?

Fredrik Rystedt: Niklas, we don't comment on it. We're hedged to roughly about 70% in gas. We're hedged to about - you can say including regulated markets when it comes to electricity of about the same, so 70%. And as Magnus alluded to, energy hedge prices are up actually quite significantly. But for commercial reasons, we cannot just comment on the levels as you, I'm sure, will appreciate. They're up, so it's going to be higher energy cost, but exactly where the market is and how that will develop, we cannot give you that information.

Niklas Ekman: Okay. Fair enough. And your comment here about prices and how you mitigate within two quarters, and that's obviously a lot faster than usual. That kind of seems to suggest that your margins could be restored already sometime in early 2023 all else equal. Is that a fair assumption, or are you merely just stating what's happening in the past quarters?

Magnus Groth: Again, we're not making any further comments on the coming quarters, the outlook. I can't provide any more information there. We will have to see. We have good pricing momentum over the last number of quarters, and expect good momentum also now in the fourth quarter.

Niklas Ekman: Okay, fair enough. Last question, just on margin volatility within Consumer Tissue. Is there a material difference between your private label Europe business versus the core in Consumer Tissue? And obviously, the raw material exposure is greater, but I assume you're also doing a lot more price hikes in private label. Can you elaborate a little bit on the margin volatility, whether that differs a lot between the private label business or not?

Fredrik Rystedt: Yeah, Niklas. I can do that. The short answer is yes, it's a higher volatility. And it's quite simple because raw material content is a quite much bigger portion of net sales, if you get what I mean there. So, by definition, as you have volatility in the input cost, including energy, needless to say, then you are automatically get higher volatility. As you actually said yourself, price increases have been very material in this field, actually higher than for all other parts of our group. So, I think we're doing a very good job in compensating and kind of raising prices there. But by definition, this business is more volatile from a margin perspective.

Niklas Ekman: Okay. Super. Thanks for taking my question.

Operator: The next question comes from the line of Iain Simpson from Barclays. Please go ahead.

Iain Simpson: Thanks very much. A couple of questions for me, please. Firstly, your margins have been a fair bit more resilient than perhaps we would have expected a month or so ago, and congratulations on that. I think at some conference in September, you were perhaps a little bit more apprehensive about the Q3 margin outlook. I just wondered if you could perhaps provide some colour on how you've managed to show such resilience this quarter. Was it helped by energy prices declining and in the last few weeks of the quarter, or pricing coming through a bit sooner than you expected? Or any colour you can give there would be very helpful.

Secondly, I just wondered if you could remind us of the moving parts in other costs in the Q3, and whether there were any sort of particularly sizable items that you call out as it's a reasonably big number, 18% impact on EBITA in the nine months and 36% in the Q3. And then just finally, if I may, given where we are from a rate and a currency perspective, could you just remind us of what proportion of your debt is fixed versus floating, and whether the debt currency is aligned to earnings currency, or whether there are any material mismatches you'd call out? Thank you so much.

Magnus Groth: Okay so I can start with the first question and leave the second two to you, Fredrik. So, both of your statements are true, Iain. So, energy towards the end of the quarter came out lower than the first 2.5 months, and pricing came in quite strong towards the end of the quarter. So, both of those helped overall for the full quarter development. And then when it comes to the other line, Fredrik.

Fredrik Rystedt: Yeah. So good question there, Iain. And you're absolutely right. Quite material and distribution cost is a very significant portion. We also have negative - sounds like a bit strange to say negative savings, but it actually is a productivity loss due to inflation in our production setup. And then SG&A is considerably higher, and there are basically three components. It's basically salary inflation, which is not that far off the normal, you can say. We have actually more travel as COVID was impacting last year quite significantly. We're back to, I should say, not full levels like we were in 2019, but considerably higher than 2020 and 2021. So, that's another part.

And last year we were quite affected, if you recall, in Q3 and Q4 when it comes to bonuses, that we had nothing in the group for no one. And this year we have a more, you can say, normalised situation when it comes to bonuses. So, it's basically those components you can say, that makes up that other. And it will be there, of course, also in coming quarters. I think your question last was when it comes to the average maturity, I think it was also the interest rate.

Magnus Groth: And the currency impact also.

Fredrik Rystedt: Yeah. And so, if I start with it first two there. So, we got an average maturity in our gross debt of approximately about four years roughly in that order of magnitude. And our policy, when it comes to interest rate fixed or floating, we are with pretty much in the middle of that policy. So, we're currently - I think it's 14 months roughly. That's the average interest rate fixed period. I think the third, when it comes to currency, as you probably know, we are fairly matched in the currency exposure in general, because we produce largely where we sell with a couple of big deviations.

So, obviously we've already talked about the dollar exposure that we have when we buy, for instance, raw materials. So, it's mainly pulp, but it's also in other types of raw material where we're impacted. And if you just take this quarter, that impact had a very, very significantly negative impact. So, yeah, roughly about SEK 730m was actually pure currency movements in this quarter. And if you decompose that a bit, about SEK 75m or so for Health and Medical, about the same for Professional Hygiene and everything else in basically Consumer Goods.

Iain Simpson: Thank you very much. Just very quickly on your debt, what proportion of your debt is outright floating rates? So, if interest rates go up, we see it in your cost of debt immediately. Could you just remind us of that number, please?

Fredrik Rystedt: Yeah as I said, it's an average 14 months. So, it's pretty significant. What we do is we borrow long term debt. We just did one, and we did one previously this year and last year, the bond issues that we do. And we typically swap them to six months floating. So, three or six months floating. So, that's pretty much the exposure. And then we have a portion of our long term debt that's also fixed. And all in all, if you sum that up, that makes 14 months. So, you will see, if you take the finance net, it has increased quite a lot as you can see, from Q2 to Q3, and we'll see even higher in Q4 as the average interest rates are actually adapted. 14 months is the full period there.

Iain Simpson: Thank you very much.

Operator: The next question comes from the line of Linus Larsson from SEB. Please go ahead.

Linus Larsson: Thank you very much. Maybe starting off with volumes which indeed grew across your business areas, but at a somewhat slower rate than previously. And obviously your growth has benefited from the post COVID situation. But nevertheless, I'd like to just check whether you were running full in the quarter. We know that some of your competitors were not running full. And are you planning to run full in the fourth quarter please?

Magnus Groth: I don't have all that information, Linus. Again, remember the impact from Russia and in Baby also, the impact from leaving the baby diaper sales in Latin America that actually negatively impacted volumes quite significantly. Russia was about 1% impact on volumes. Typically we have high capacity utilisation in all our plants. Some of this because of need to rebuild stocks, and in many places because we have high demand, especially on the tissue side. So, overall, quite positive in this area. Still struggling with some supply chain issues, but gradually getting better, getting out of that situation as well.

Linus Larsson: That's helpful. Thank you very much. And overall, or even specifically, are you taking market share? Any colour you can share on that?

Magnus Groth: In the quarter, we had a bigger portion than in previous quarter where we were not gaining market share. And this is in line with our strategy, especially in Consumer Tissue, where we had a negative impact on market shares in the quarter because of our continued pricing efforts. We're not concerned about that at this point in time. We have really strong brands, excellent products and good market positions. So, we're convinced that we will build back those market shares as we are getting to the end of compensating with pricing.

Linus Larsson: That's great. That makes sense. Thank you. And then just finally, on an overall level, when it comes to pricing already, when you reported the second quarter, you talked about a reacceleration or like a higher price impact in the fourth rather than the third quarter. And since then, you've obviously initiated further pricing initiatives. So, could you share some more colour on that? I mean, are we seeing a bit of a step up in year on year price/mix improvement in the fourth quarter? There you have some visibility now, one third through the quarter, obviously.

Magnus Groth: It's still difficult to say actually, and I'll let Fredrik continue here. So, we're really happy about the pricing in the third quarter. And our best estimate is that we would have a similar positive pricing impact in the fourth quarter. I think our pricing increased by 3.5% approximately compared in the third quarter compared to the second quarter. That would be a bigger positive impact than from an overall perspective since the same percentage on higher sales, of course, leads to an overall bigger effect.

Fredrik Rystedt: No, I think you said it. So, Linus, we did say exactly what you referred to there, but you also have noted the press release that we send out that obviously - and that was very clear in August, July and August, the costs were a lot higher, not least for energy, to some degree also currency. So, in the end of course, we pushed price a lot, and - so we've been very happy with the absolutely necessary price increases that have been executed here in Q3. And of course, given forecasts for exactly what is going to happen in coming quarters, it's really difficult to do. So, as Magnus said roughly in the same kind of range, as we have seen now in Q3 would be our best estimate, but time will tell.

Linus Larsson: That's fantastic. Thanks for sharing that with us.

Operator: The next question comes from the line of Oskar Lindström from Danske Bank. Please go ahead.

Oskar Lindström: Yes, good morning. Two questions from me. First one is, did you build any stocks ahead of winter, and possible impacts from energy shortages on your production ability this winter, or take any other pre-emptive action ahead of the winter season here. And did that cause any extra costs in Q3, or how should we see on that topic? So, that's my first question. And the second one is on the separation of the European Private Label Consumer Tissue business. Sorry, I missed the first part of your presentation this morning, so maybe you talked about it then. And if so, please disregard it.

Magnus Groth: Okay. Yes. So, we are making big efforts to make sure that we can continue producing throughout the winter, even if there would be gas shortages or gas rationing. And we're primarily doing that by focusing on the plants most exposed to make sure that they can be supplied with energy in other ways. It could be oil, it could be liquid natural gas. There could be other alternatives. We also have, since we're - I mean, this mostly applies to Europe. And since we have such a strong supply chain footprint in Europe, we also see opportunities to supply different markets from adjoining countries so that we could - putting backups in place. It's difficult to build stocks in anticipation, so we haven't done that because we can only keep stocks for a very short time period because our products are so - it takes so much room in our warehouses. So, that's quite difficult for us. But preparing definitely for whatever can happen during the winter.

When it comes to the separation of the private label division, that's progressing really well. The organisation has been up and running now the entire year. They're doing a great job working with our customers, making sure that they have high service levels and what they need while raising prices. And we are finalising the legal work and see that this will be a fully independent unit by mid next year. So, that project, which is quite substantial, is progressing according to plan.

Oskar Lindström: Thank you. If I may, just a final question. What's your feeling of the pulp market? I mean, we've seen some small, small decreases in price here in Europe. What's your feeling for the outlook here for the rest of the year and maybe into next year as well?

Magnus Groth: Oskar, we stopped giving our own view because it doesn't help. Actually, it's not helpful. We can only see that for this quarter we're in now, Q4 prices have mostly stabilised, but we will still - our books have a negative impact from currency and from some smaller price increases we saw in the third quarter. And we can't - there's no use. My view is as good as anyone else's.

Oskar Lindström: Thank you. Those were my questions.

Operator: The next question comes from the line of Faham Baig from Credit Suisse. Please go ahead.

Faham Baig: Morning, guys. Thank you for the questions. I have three quick ones, please. Firstly, on price/mix in Q3, could you help us maybe differentiate price from mix in Q3, as well as maybe providing colour on the price/mix component within Consumer Tissue? Just to understand whether volumes remain positive or turned negative in consumer tissue Q3.

The second question also on pricing. It seems that from your commentary, you're slightly less optimistic about the sequential acceleration in price/mix in Q4. And I guess to your point, energy costs are likely to be less of a headwind than maybe what you expected a couple of months ago. But I wanted to understand whether any of the energy surcharges you've passed are being reversed, whether the sort of more favourable energy environment is resulting in competitive activity and supply coming back on market that was curtailed for periods over the summer, that is pushing - that is putting some pressure on further price increases.

And the third question, just to go back on finance cost, I hear you on the 14 month sort of lag before interest costs begin to fully impact your P&L. But interest costs were almost up 2.5 times in Q3 compared to even Q2, if I'm not mistaken, or twice anyway. That's pretty material. Is there anything going on there in terms of FX fluctuations, or derivatives that we need to be careful about, or is it solely down to the step up in interest costs which would have impacted your P&L within three months? Thank you.

Magnus Groth: Okay. I'll start with the second question. No, we're not slightly less optimistic. As I said, I'm very proud about the achievements by our organisation, and we continue to see good momentum on price increases throughout the group and also in Consumer Tissue and also in Europe. So, there's no change there. We had a little more pricing than expected towards the end of the third quarter, and that's why we're balancing now with the fourth quarter. But expect to see good pricing also in the fourth quarter. So, not less optimistic, and we don't see energy surcharges being challenged or competitors behaving differently to the extent we know. I mean, typically, we don't have that outlook. There's still good momentum in this area. No change from when we last gave an update here after the second quarter. Price/mix, Fredrik?

Fredrik Rystedt: Yes. Faham, did I understand your question as to what was the mix impact for the business areas? Was that the question?

Faham Baig: Yes.

Fredrik Rystedt: If you take Consumer Goods, it was 0.2% to be very exact. Health & Medical was largely flat. If you take Professional Hygiene, 0.8%. So, that was the number. And if you take the corresponding price of Consumer Goods, as I've already alluded to, 16%, a bit over 6% for Health & Medical, Professional Hygiene 16.5%, and for the Group as a whole, 14.5%. So, that's - those are the numbers. I think the third question was on the finance net. You're absolutely right.

So, the interest movement was the most significant part. But there - we always have within our financial net revaluation impact, and this quarter was impacted by several of those. So, it was a bit higher than what would be kind of explained just by interest rates. So, if you take the average interest rates in Q3, so 2022 - this year it was 2.2%. If you take the corresponding period of last year, it was 1.2%. But we also, of course, obviously have higher debts. So, that makes up the math. And there was some revaluation impact.

Faham Baig: Fredrik, just quickly on Consumer Tissue, were volumes positive in Q3 in Consumer Tissue?

Fredrik Rystedt: Yes.

Faham Baig: Yes? Okay. Thank you.

Operator: The next question comes from the line of Fulvio Cazzol from Berenberg. Please go ahead.

Fulvio Cazzol: Good morning, and thank you for taking my two questions. I've got two, please. Sorry if I missed this, there's a lot going on this morning, but on private label, I was just wondering if you can just highlight across your key categories and markets, how trends in Q3 compared to Q2. Have you seen any acceleration anywhere from private label?

And then my second question is on net debt to EBITA, which on the release says it's at 3.4 times. I realised that there are no debt covenants, but I was wondering if you're comfortable with this level of debt, and or whether this might change your M&A strategy in the short term until that comes down a little bit? Thank you.

Magnus Groth: Okay. Starting with the second question. Net debt to EBITA, 3.4 somewhere in that vicinity. We expect to deleverage throughout the first half of the coming quarters, throughout the first half of next year, which I believe coincides quite well with ongoing integration of the acquisitions we've done over the last two years. And also with what we expect to be a slow market when it comes to acquisitions and divestments due to a general market uncertainty. So, you're right. There will be less acquisition activities from our point before we have deleveraged over the next couple of quarters. But we're not concerned about the current level, that's for sure.

Fredrik Rystedt: And just to add, Fulvio, you had a specific question on covenants, and the answer is no.

Magnus Groth: And private label, as mentioned during the presentation, we don't see very much down trading in our categories. We see some in private label in Latin America in tissue. I think that's where we have the biggest impact. Of course, we are well positioned to pick up those volumes as well. We - it's in Consumer Tissue and in Baby, where we have a sizable private label business. Otherwise we're more or less fully branded. So - and we're also seeing, as Fredrik mentioned, significant pricing in private labels. So, we feel that we're well-positioned to manage whatever might come.

Historically, when it comes to down trading in our categories, it's typically been something that's been going on for a couple of quarters. And then consumers have traded up as they go back to the brands they prefer and they realise that actually these very, very important, essential health and hygiene articles are a very small part of disposable income. So, it's not anything that's concerning us at this point in time. We think we're well positioned here.

Fulvio Cazzol: Great. Thank you for that.

Operator: The next question comes from the line of Victoria Nice from Société Générale. Please go ahead.

Victoria Nice: Hi there. Good morning, everyone. I just wanted to follow up with various questions about the market share deterioration in Consumer Tissue. Should we think about this coming from sort of not - others not really taking pricing as quickly and also the private label increase as well that you were just talking about? And could you sort of indicate where this is being seen the most? Should we expect it in Latin America?

And then with the further pricing initiatives, you talk about good momentum so far. Just wondered whether you might be able to indicate if you've seen any slight increase in the pushback from retailers at this point, particularly in Europe. Is it getting a little bit more difficult, even if it's just slightly with some raw materials easing just elsewhere, and all the sort of next round of negotiations taking place now and into Q1 as normal? And then sorry, my final question on tax rate which was also lower again this quarter. You said in previous quarters these are due to one offs, but they seem to be still occurring. I just wondered if you might be able to indicate when these might run out or no longer impact, should we say. Thank you.

Magnus Groth: Okay, starting with the market shares. We're quite hard on ourselves when it comes to measuring market shares. And, so if we have a slight decline in market share, for instance, in China, in Consumer Tissue, it has a huge impact on our overall numbers. So, again, I'm not concerned about that. We have strong brands, strong market positions, and it's not really down to down trading either. It has to do with the fact that when we're in the middle of price negotiations, there's less interest in discussing promotions, launching new exciting innovation. Everything tends to get focused on pricing. And this is something that we've seen in the last few quarters, and that would eventually subside as the pricing negotiations become less important.

No, we don't see a change in overall momentum or when it comes to push back of pricing. And I think you meant specifically Europe actually, partly because of the supply demand situation. So, there's - there are a number of smaller players who are struggling with the service levels. And this, of course, makes it more crucial for retailers and customers just to be able to stock the shelves. And this also contributes to the momentum in the pricing discussions.

Fredrik Rystedt: And Victoria, thanks for the question on the tax rate. And it is actually one off also this quarter. So, it's not recurring. And so, if you look at our structural rate, it's approximately about 24 to 25. So, it's actually come down a bit, and the structural rate is partly due to how the distributed profits where they're located, so to speak, and different tax rates. So, if anything, the structural tax rate has come down, but it's more towards the kind of 24 range or 24, 25 range, and the other things that has affected.

And if you, of course, you look at the tax rate for the first nine months in this year, it was roughly about 21 or 20.6 to be specific. And that is actually relating to various gains that we have had. And it is also that - that's also the case here for Q3. So, you should basically calculate with a tax rate of roughly 24, 25, but occasionally we'll have different numbers.

Operator: We have no further questions in the queue, so I will hand the call back to your hosts for some closing remarks.

Magnus Groth: So, thank you for a good discussion. We have presented the results for the third quarter, seeing very strong growth coming from strong pricing momentum, but also positive volumes and mix. And we will continue to focus on pricing efficiencies of the longer term efforts we're making to create very, very attractive products and services for our customers and consumers going forward. Thank you for calling in. Thank you for listening. Talk to you in a quarter if we don't meet at the webcast in early December. Thanks for listening.