Essity Aktiebolag (publ)
Interim Report Q1 2021
April 23, 2021
9:00 a.m. CET

Slide 1

Magnus Groth: Good morning, and welcome to this webcast of Essity's Q1 financials. And during this meeting, I will also give more information on the Manufacturing Roadmap, and I will be joined by my colleague, Pablo Fuentes, to give more information on the strategic acquisition of Familia in Latin America.

Slide 2

Slide 3 *Positioning Essity for Profitable Growth*

So with that, I think to start to say that we have spent this quarter positioning Essity for profitable growth. It's been a quarter where we had maybe a quarter ago expected a quicker opening up of markets and improving market conditions. And instead, we saw, especially in Europe, tougher restrictions and tougher lockdowns that continued for longer than we had anticipated.

Even so, we also see where things have started opening up, not least in China where we see business volumes that are not only much higher than last year but also even higher than in 2019. So business returning very much to normal. And we've also noted now at the beginning of the second quarter an improving market condition, especially in the United States. And we expect that with the now accelerating vaccine programs in most of our important markets, we will see a gradual improvement also step-by-step in Europe.

But we have not spent this time waiting for market conditioning to improve. We've been very busy increasing our ownership in Familia, concluding – or signing an agreement to acquire Asaleo Care. We have been growing market shares in more categories and markets than ever before. So making sure that we are prepared for the gradual improvement in market conditions.

E-commerce continues to become a bigger part of our business also in the first quarter, and as we get back to Manufacturing Roadmap, puts us on a path to continue to generate efficiency improvements but also a better service level and higher-quality products for the future.

Slide 4 *Essity to Increase Ownership in Familia*
Slide 5 *Familia Strategic Acquisition*

So starting then with the increased ownership in Familia. So Familia is a partner with Essity since 1985. It's a highly innovative and very consumer-oriented company. And actually, we have learned a lot from this joint venture over the years. But now is the time to take full ownership, and we believe that doing this, we can become the fastest-growing hygiene and health company in Latin America going forward. And as you can see here on the map, it's a very, very complementary acquisition from a geographic perspective.

Slide 6 *Transaction*

The transaction – before the transaction, Essity owns 50 percent, but actually consolidate both sales and earnings fully to 100 percent. So the impact on our financials is on earnings per share, which will be accretive already this year. However, the bigger benefit comes from the synergies by combining the joint venture business with our existing Latin American business. And we see that this will give good opportunities going forward that Pablo will talk more about.

You can see some of the numbers here and worth noting is that Familia has a very, very attractive EBITA margin, partly because of their mix, but also because of their very strong brands, and also a good growth even last year when many of Familia's markets were very severely restricted by lockdowns.

So with that, I would like to hand over to the President of business unit Latin America, Pablo Fuentes, to describe the transaction. Over to you, Pablo.

Slide 7 *Familia Net Sales Split*

Pablo Fuentes: Thank you, Magnus. As you can see on this slide, Familia represents 6 percent of Essity global sales, and Colombia and Ecuador are the two most important markets with 71 percent of the sales. But Familia also has presence in many other countries in South America.

From a category perspective, as we were saying, more than 60 percent of the sales are in what we call Personal Care, which is Feminine Care, Incontinence Products and Baby Care. And Familia also has sales, 31 percent, in Consumer Tissue and 7 percent in Professional Hygiene.

Slide 8 *Leading Market Positions*

When it comes to market positions, Familia has very strong market positions in the markets where it's present. In Feminine Care in Colombia, market share is 68 percent. In Consumer Tissue, market share is 48 percent with the Familia brand. And in Incontinence Products with the TENA brand in Colombia, market share is close to 90 percent. So really very strong market positions where Familia is present.

Slide 9 *Product Offerings*

Familia has a quite broad range of products in the different categories. In the case of Feminine Care with the brand Nosotras, it has a portfolio focused on menstruation towels but also on daily intimate care products with liners, washes, washable absorbent underwear and wipes. In Consumer Tissue, it also covers very different segments, including a very successful premium assortment. In the case of Baby Care, it has open diapers and pants covering different assortments, including successfully the premium positioning. In the case of Incontinence Products, it follows the successful global leading TENA brand positioning. And in the case of Professional Hygiene, it is a combination of Tork global products but also very successful local products and adjacencies, including skin care.

Slide 10 *Latin America Hygiene and Health Market*

Through the ownership in Familia, Essity will have access and will serve more than 600 million people in Latin America in markets where consumption per capita is still low. And we expect as middle-class grows and consumption and income per capita increases, these markets will continue to grow. It's mainly a branded region and the go-to-market is split evenly between modern trade and traditional trade. In Latin America, we have been very successful in traditional trade where we have very strong distribution in the millions of mom-and-pop stores with our very strong brands. We also see a changing retail landscape with emergence of e-commerce, and we are very proactively leading into e-commerce with our digital transformation programs.

Slide 11 *Building the Fastest Growing Hygiene and Health Company in Latin America*

As we are building a more integrated region in Latin America, our aspiration is to be the fastest-growing hygiene and health company. We will do this with a faster execution across Latin America, now with the ownership of Familia, leveraging innovation capabilities, strong brand equity and entrepreneurship, accelerating on the digital transformation and increasing constantly our e-commerce sales, optimizing efficiency across the value chain and, very importantly, geographical expansion and cross-selling synergy opportunities with our Medical Solutions business.

Back to you, Magnus.

Slide 12 *Financials – Q1 2021 vs Q1 2020*

Magnus Groth: Thanks. And to give you a compliment, Pablo, already the business that you are running through Familia but also the fully owned business in Mexico and Brazil and other major geographies is developing extremely well with leading market positions and a very strong development. So thank you for that, and we're really excited about the next steps in Latin America going forward.

With that, we move over to the financials. And as I mentioned at the beginning of the presentation, this quarter has been very much impacted by lockdowns and restrictions, especially in Europe, while I always want to also emphasize that we see how quickly the markets can recover when they open up again. Vinda that also announced their results today is a good example of that. And we also see gradually improving market conditions, for instance, in Professional Hygiene in North America in the beginning of April.

But for the first quarter, organic net sales were down close to 10 percent, and approximately half of that decline is due to the tough market conditions in the first quarter and approximately half comes from very tough comps with the first quarter last year. As you remember, this was a very high sales quarter for us due to stockpiling, panic buying in anticipation of the pandemic rolling out across the world.

Adjusted EBITA margin, very much following then lower production volumes. It was down 270 basis points to 13.1 percent. And adjusted return on capital employed was down to 13.5 percent, so very much impacted there by the margin decline.

Again, we see some bright spots in all of this. Emerging markets continue to grow. And we see that the vaccination programs are now rolling out at an accelerating pace in most of our main markets and that this should lead to gradual reopening of markets here in the next quarters.

Slide 13 *Adjusted EBITA Margin – Q1 2021 vs Q1 2020*

The adjusted EBITA margin, when it comes to gross profit margin, was primarily impacted by lower production volumes, of course, impacting fixed cost absorption, but also higher distribution costs.

A&P was higher, both as a percentage of sales but also actually in actual terms. We continue to accelerate through the curve here. We want to position ourselves for the reopenings. We continue to invest by strong innovation, and I have some really good examples on the next couple of slides here coming up.

And SG&A was lower. Of course, we are, as always, being very prudent about our costs and trying to save costs wherever. So this was lower in total but higher as a percentage of sales as sales came down.

Slide 14 *Innovations with Strong Sustainability Profile – Q1 2021*

Talking about innovation. It's a very strong quarter. And to highlight one thing here, to the left on this slide, we now have 3 categories where we have launched reusable products. So the first example is the Tork microfiber cleaning cloth, so reusable product. We're also launching the washable, reusable absorbent underwear that we mentioned in the last quarter, not only in Fem Care but also in Incontinence Care. And we're also launching menstrual cups under the Libresse brand in the Nordics. And we will see more of these examples going forward, part of our sustainability journey and very much in line with also consumer expectations and consumer needs.

Slide 15 *Strong E-commerce Growth – Q1 2021*

To give some more detail about our e-commerce growth, that continued to grow year-over-year. It, for the first quarter, accounted for 13 percent of group sales, which is up 14 percent compared to the same quarter last year. And as you can see here, it's a mix of the pure players, that's very much represented by Vinda in China, and then the multichannel players that continue to dominate the online channels in Europe, and then Latin America growing quickly from a low base. And this comparison actually has a negative impact from Professional Hygiene having a negative sales development in the first quarter since we have a high share of sales online in Professional Hygiene. So as Professional Hygiene comes back, this will grow even faster.

Slide 16 *Strengthened Market Shares and Brands*

I spoke about the market shares. It's so important during these volatile market conditions. Whatever happens with lockdowns, restrictions, uncertainties, are we winning the relative game against our competitors? And yes, we are. We continue to hold a very high number of number one and number two positions. And we are strengthening our market shares in more countries and in more categories and with more brands than ever before. This is – continues to be a key focus for us during this time.

Slide 17 *Manufacturing Roadmap*

And now the Manufacturing Roadmap. And we discussed at the end of the third quarter that we would give more information about the Manufacturing Roadmap today. And this is a follow-up on some of the very ambitious programs we have been running over the last five, six years, not least Tissue Roadmap and the Cure or Kill program.

And the Manufacturing Roadmap is a very holistic approach to how we work with our 60 fully owned production facilities throughout the world. And it's organized in four different areas where, of course, efficiency is incredibly important, cost efficiency, but just as much as sustainability and the impact from digitalization.

So just a few examples, and I've spoken about this many, many times. Optimization of footprint and production efficiency is both about having the rightsized plants in the right place but also having the right assets in the plants and utilizing them to the highest possible extent. And we've done a lot of working improvements in Consumer Tissue over the years and, to some extent, also in Professional Hygiene. And now we are taking this thinking also to our Personal Care business and taking a renewed look at our tissue businesses.

Digitalization facilitates efficiency improvements. I've spoken about prescriptive maintenance based on sensor technology. We've spoken about process control based on sensor technology that not only increases efficiency but also product quality and service level.

Sustainability and breakthrough technology. It's becoming more and more clear that we need to transform how we make tissue and the footprint that we leave, of course, by doing this. And we are involved in a number of projects in order to reduce our dependency on fresh wood pulp. And one of them, it's the Columbus project that we're starting up this summer in Mannheim. It's about reducing fiber content using alternative fibers, to an increasing extent, using enzymes replacing the highest-cost fibers, and we have many initiatives going on there.

And then integrated supply chains. And we are reorganizing, putting the entire supply chain from when the raw material comes into the plant until the finished product reaches the customer into one organization in order to make sure that we optimize the entire flow here from a demand and supply planning and efficiency, which will have benefits on working capital.

Slide 18 *Manufacturing Roadmap – Results by 2025*

So what will all of this bring? It will bring benefits in a number of areas. Over the last years, we have provided an estimate or an ambition level when it comes to cost savings and cost of goods sold on an annual basis based on what we have in the pipeline. But after having done this exercise, we can now report that we can sustain this high level of annual savings for the next four, five years until 2025. So a savings rate of between SEK 500m and SEK 1bn per year. We will also be able to optimize our capital expenditure by using the assets we have more efficiently. And maybe some of that CapEx can be saved or be invested instead in sustainability initiatives.

We have set a target to reduce working capital with SEK 1bn by being more efficient across the entire value chain. And we have projects in place or looking at opportunities to reduce our pulp price volatility exposure by over 10 percent through different projects during the next five years. And all of this will also lead us to be able to achieve our ambitious Science Based Targets in a shorter time period.

And just as an example, I will show a very short movie about what we're doing in manufacturing.

Slide 19 *Movie – First CO_2 Emission-free Large-scale Paper Production*

OK. Yes, I think that takeaway was clear. It's a big difference being first or being second. And of course, we aim to be first in this area as in every other area.

Slide 20 *Personal Care – Q1 2021 vs Q1 2020*

So with that, a few slides on our three different business segments, starting with Personal Care where sales were negatively impacted by restrictions and lockdowns and, of course, the tough comparisons mentioned already. A highlight here is improved underlying growth in Medical Solutions and, again, another quarter with positive growth in Wound Care. In Orthopedics, we still see a very negative impact from a lost ski season, for instance. That, of course, has a big influence on growth. And then in Compression, improving but still restricted by health care focusing on COVID treatment in many of our big markets.

Strong margins. We are preparing price increases, and the vaccination programs are expected to improve the growth there.

When you look at some of the negative growth numbers down there in the right-hand corner, it looks quite significant. But we have to remember here that in Incontinence Care, for instance, last year, we grew in the same quarter with over 11 percent, which was, to a large extent, of course, stockpiling. In Feminine Care, we grew over 15 percent, and in Baby, over 5 percent last year. So very difficult comparisons. And Baby, in addition, was negatively impacted by the formats where we are strong, pharmacies, primarily being impacted by lockdowns and restrictions.

Slide 21 *Consumer Tissue – Q1 2021 vs Q1 2020*

Moving over to Consumer Tissue. Very much the same story, tough comparisons due to stockpiling in Q1. Strong branded sales growth but a quite soft growth in private label. We see high sales in emerging markets, not only in Vinda in China but also in Latin America. And we continue to work to improve the structural profitability and pushing very aggressively, I would say, for price increases.

And to elaborate a little bit on that, last time around in 2017 and 2018, some of you followed Essity already at the time, there was quite a delay before the tissue suppliers started raising prices because of anticipation of a softening of the pulp prices. This time, that's not the case because the pulp prices are increasing faster than before. And instead of waiting a number of quarters to see what happens, we have been very active also using press release to announce to our customers that we are going out broadly with price increases. We're seeing price increases already in Latin America and, to some extent, in Europe and expect a small positive impact in the second quarter but then primarily in the third and fourth quarters.

And this time around, we believe that it will take around three quarters before we have fully recovered margins from upcoming negative impacts from raw materials. So much faster than before. And as I've stated many times, we're willing to do what it takes to increase prices and compensate as fast as possible.

And there is a much stronger momentum also in the tissue industry for a number of reasons. But the main reason is that the supply and demand balance is much better than it was three or four years ago. And from an Essity perspective, we have a stronger product portfolio based more on our brands than we had three or four years ago. So we will manage this. It will always be part of our business, and we feel very confident about this cycle as well.

Slide 22 *Professional Hygiene – Q1 2021 vs Q1 2020*

Finally then, Professional Hygiene, which has had the biggest negative impact. As you can see, mature markets, minus 31.5 percent. Remember that most of our sales are in hotels, restaurants, catering, commercial buildings, public buildings like schools that are highly affected by lockdowns and restrictions.

In previous quarters, we saw this in – through the pandemic, we saw this in North America, in Latin America, in other markets, but for the first time also, significantly in Europe. So actually the worst quarter we've seen so far during the pandemic.

But again, we're preparing for a strong comeback. This partly explains the lower cash flow we had in the quarter. We have been growing our stocks a little bit in anticipation of opening up of markets, being able then to deliver with high service levels when that happens. And also here, we are preparing for price increases across the line.

Slide 23 *Reduced COVID-19 Restrictions in US*

This is just to give some flavor of what we're seeing now in the U.S. The graph to the left there is how bookings on opentable.com, which is a widely used booking system in the U.S., declined compared to 2019, first in 2020, and then in the second peak, end of last year, beginning this year, but how things are improving now in the last couple of weeks. As you can see there, the curve moving up, again, getting closer to 2019 levels.

And also, as we are anticipating, in general, higher consumption per person of hygiene products. Here's an example from our sensor-enabled dispenser system showing that one in three people are actually today visiting washrooms, public washrooms, just to wash their hands, which was not very common before the pandemic.

Slide 24 *Priorities 2021*

So priorities – accelerate sales, increasing prices, continuing on our long-term journey with innovation and expanding customer and consumer offerings. We continue to work on the structural profitability now with the Manufacturing Roadmap, digital transformation and to continue to lead in sustainability.

Thanks for listening. Let's open up for questions. And I will be joined during this question-and-answer session by Fredrik Rystedt, our CFO, but also by Pablo Fuentes for any questions you have about the Familia acquisition.

Slide 25 *Q&A*

Operator: And your first question comes from the line of Celine Pannuti from JP Morgan.

Celine Pannuti: All right. My first question is on what you just said on raw material where you see the outlook increasing. Could you give us some guide on what to expect into the second quarter by division as you usually do and maybe a guide for the remainder of the year?

And my second question is going to be on pricing. You did announce these price increases and you are talking about mid-single-digit pricing. Is this the realized price? Or is it your least price increase? And are you able to give us a bit of background about how this is happening in Europe? You said that Latin America, you already see some pricing, but should we expect Europe to be a bit later on in terms of price realization?

Magnus Groth: Yes. If I start with the pricing. Maybe, Fredrik, you can jump in when it comes to raw material development. But basically, when it comes to pricing, we are already out discussing with customers. And I mean, basically, pulp prices are up around 20 percent. We need to – the margin impact of that is around 7 percent for us. So that's – or the need – it's not the margin impact, but the need for price increases from our side is around 7 percent. So this is what we will be going for.

And then there is this delay a couple of quarters because we cannot change prices as quickly in Europe as we can in China and Latin America where we do it both by price increases but also by just lower promotional pressure. So we will see a gradual impact a little bit in the second quarter but then primarily in the third and fourth quarter. And we believe that we'll be able to be back, fully compensating for the raw material price increases in Q1 next year. And doing that, it's going back to all customers. Typically, in private label, we can change prices on shorter notice. There is a very good momentum. It's not only us, many other producers of tissue have announced price increases. And when it comes to brands, we have been able to renegotiate to have shorter contract lengths, shorter than one year, where we can also go back and discuss higher prices.

Fredrik, would you like to give some guidance on raw materials? I mean, in general, what we say is that we see significantly higher raw materials, both when it comes to pulp, fluff pulp and also oil-based material and as well recycled fiber year over last year. But when it comes to recycled fiber, not sequentially, then we only see higher prices. So it's a steeper pulp price increase than we saw in 2017, 2018, which actually gives us more momentum than last time to go out and ask for price increases.

Fredrik, would you like to fill in?

Fredrik Rystedt: I think you've pretty much said it, Magnus, so there's not a lot to add.

Celine Pannuti: And maybe just can I ask, on this minus 3 percent price/mix in Consumer Tissue, what was the pricing environment in Europe and in China? Where this minus 3 percent came from?

Magnus Groth: Yes. It came primarily from a higher promotional – there was basically no promotions in the first quarter last year and – especially in China when also volumes were very low. Remember, China had locked down first quarter last year. So increased promotions from a very low level in China is the biggest part of this. And then it's partly the price – the lower prices that we negotiated the second half of last year that we have mentioned for a couple of quarters now, the impact from them, but that's a smaller part of this 3 percent.

Fredrik Rystedt: Maybe, Magnus, we can add that most of these price – the price impact is largely not coming from the sequential developments, Celine, between Q4 and Q1. So there was very little price movement in Q1, mainly just spillover from what happened before. So in reality, you can say prices sequentially were largely flat.

Operator: Your next question comes from the line of Niklas Ekman from Carnegie.

Niklas Ekman: A couple of questions, if I may. Firstly, on Manufacturing Roadmap, you talked about SEK 500m to SEK 1bn. Is there any of this already in 2021? Or is that maybe included in the guidance you've already provided for 2021? And also any one-off costs related to this program?

Magnus Groth: Less one-off costs than we saw in Tissue Roadmap. So there will be less restructuring in this program. This year, we keep our guidance of SEK 500m to SEK 1bn. So it's already included in that number. We had a very slow start to savings. We sometimes do in the first quarter. This is partly related to low volumes. When we don't run the plants with high efficiencies, we don't get the full benefits of the projects we run to increase machine utilizations, for instance. But we expect to recover in the remaining three quarters and stick to our guidance for this year between SEK 500m and SEK 1bn of the COGS savings.

Niklas Ekman: Very clear. And also on the Familia acquisition, given that this is already a business that is consolidated, you know the company very well, have worked with them very closely, what is the big difference of consolidating this fully or going to close to 100 percent ownership? What can you achieve as a close to 100 percent owner compared to owning 50 percent?

Magnus Groth: I will let Pablo answer this. Pablo has been on the Board of this joint venture company for the last couple of years and has the overview of the entire business in Latin America. Of course, number one is that we do not have a shareholder agreement with other shareholders. And what the impacts of that will be, I hand over to you, Pablo, to describe.

Pablo Fuentes: Yes. Thank you, Magnus. And as we said, Familia has been a very successful company with very strong market positions in different markets in South America. And this increase in ownership will allow us to work on a more integrated, seamless way to be able to execute faster into the market, to leverage innovation in a better way, to continue investing and growing our brands in markets that are very attractive and where speed, agility, flexibility are super important. And it's part of our strength in Latin America. So clearly, the seamless integration and the faster execution will be super – much better after this transaction.

Niklas Ekman: That's very clear. And you have now increased ownership in Asaleo, you are increasing ownership in Familia. The big chunk remaining here, of course, is Vinda. Is it possible for you to increase ownership in Vinda as well? Or are Chinese ownership restrictions preventing that?

Magnus Groth: There are no such restrictions, but we have no such plans. We think that the structure we have is perfect, and I hope it lasts for another 100 years being listed on the Hong Kong Stock Exchange. Very strong local presence and then adding kind of the global knowledge from Essity. So this will remain. It works extremely well as you can see from the first quarter also.

Niklas Ekman: Very clear. And then just a quick one here also. Positive raw material impact here in Q1. Is that due to revaluation of inventory mainly? And can you break out that split?

Magnus Groth: Fredrik, do you want to answer that?

Fredrik Rystedt: Yes. This is – it's still, you can say, the remaining value of the inventory. So basically, the average cost of the inventory is simply lower than the market price. So it's not a revaluation. It's simply that the value of the inventory, the cost of the inventory is lower than the market price.

Operator: Your next question comes from the line of Fulvio Cazzol from Berenberg.

Fulvio Cazzol: It's relating to the marketing cost increase. You highlighted the 80 basis point impact to margins. And I was just wondering, I know you mentioned that you've got an innovation pipeline coming, but I was also wondering how much product mix or divisional mix, branded versus private label mix, how much that has impacted in terms of your A&P cost ratios, please.

Magnus Groth: Yes. I don't think that has been the big impact for this quarter. Typically, our A&P has been around 5.2 percent, 5.3 percent, 5.1 percent maybe, percent of sales. And now it's 6 percent. And the increase is 1/10 or 2/10 of increase. And the rest is an effect of the lower overall sales for Essity. So the percentage of sales has come down.

Fulvio Cazzol: Got it. OK, no, that's very helpful. Can I then ask another one on working capital? So you announced that with the Roadmap, you intend to unlock SEK 1bn of working capital benefits. I just want to make sure I understand this right. Is that SEK 1bn for the duration of the program, so, say, 2020 versus 2025? Or is that an annual improvement target that you set?

Magnus Groth: Fredrik, I leave that to you.

Fredrik Rystedt: That's just a onetime adjustment, so to speak. So basically coming from lower, you can say, average inventory level predominantly, not only, but predominantly. So it's a onetime adjustment, not an annual.

Operator: Your next question is from the line of Victoria Nice from SG.

Victoria Nice: My first question is on the price increases outlined. And we just wondered if you can tell us what you're anticipating in terms of volume sensitivity. If we look back at 2018, price increases are 4 percent, volumes are down about 1 percent. Do you expect a similar dynamic? Or will there perhaps be more pressure this time as prices of almost all products seem to be going up for consumers currently?

And my second question is on Professional Hygiene. Beyond direct COVID impact and the timing of inventory builds, do you feel like there is a drop in underlying demand, some closures that don't plan to reopen? And then also, you talked about the recovery through April in North America, which presumably is lapping some of the unwind of the inventory build in March last year. Just wondered if you could be more specific on the quantum of the recovery that you're seeing, please.

Magnus Groth: Yes. So price increases – I mean during the last cycle, we took out a lot of capacity. We closed plants and machines. Actually, just a month ago, we closed another paper machine in Finland, in Nokia. So this is still continuing. And the consequence is that we are better balanced. We have less capacity that we need to run, much less than we had last time around. But the entire industry – tissue industry is also better balanced in Europe. There hasn't really been much new capacity coming in after 2018, while demand has increased.

So following this logic, there should be less volume impact. This time, we are very much relying on our strong brands, our innovation. And also, if it would be necessary, we would, just as we have over the last couple of years, prioritize pricing because Consumer Tissue is very value-creating when we have a reasonable margin level, which we have spoken so much about over the years. So we will always defend pricing. But again, we don't see the same volume risk this time around because of all the actions we have taken and the better shape of the industry.

Professional and April developments. We believe that there's very little stock throughout the value chain right now, so with distributors and with customers. And what we're seeing now is partly a restocking. But also, of course, that comes from the pull from increasing demand. But the balance there, I don't know. I don't know if that answers this question. I think that's too early to say.

Was that what you were asking about Professional Hygiene, Victoria?

Victoria Nice: Yes.

Operator: Next question from the line of Iain Simpson from Barclays.

Iain Simpson: And two questions from me, please. Firstly, I wondered if we could dig a little bit into the pricing dynamics in Consumer Tissue. So you said that no one's really built new plants. But during the crisis, yourself and other manufacturers managed to sustain far higher levels of output to meet the surge in demand. So does that mean that industry output might have increased a bit even if no one is building new factories?

And then just following on from that, your margins in Consumer Tissue are at all-time highs. Presumably, your customers can see that as well on the retail side. Does that make it a bit more challenging to get pricing given your profitability is so much above where it's been historically in Consumer Tissue?

And then my second question, just moving on from that to Personal Care. Gross margins, up 170 basis points in 1Q. Very impressive. Could you talk a little bit about the drivers there? Because you say that you had lower raw material costs in Personal Care in Q1. Which raw mats were down given the sort of sense I have that there's been pretty wide inflationary pressure this year?

Magnus Groth: Yes. OK. So I'll start with Tissue and hand over to Fredrik for Personal Care. It's a very interesting reflection. I hadn't thought about it actually, the surge in volumes last year. I'm not sure if there were actual, in total, big surges. But of course, there were big, big swings due to panic buying and so on.

Part of it came from switching from Professional Hygiene tissue to Consumer Tissue. So that explains some of it, and that should then go back. Another explanation was that we reduced significantly the product assortment during the periods, only selling a small number of SKU’s in order to run the machines more efficiently. Maybe we learned something from that, but what we're already seeing is that retailers and customers are demanding a wider assortment again, which would then reduce what we can produce on existing assets.

Of course, efficiencies are constantly improving, at least in our plants, as we are working with improving our structured profitability. But we are also taking out capacity, like the paper machine in Nokia just mentioned. So I don't think that, that should be a big issue.

And of course, yes, we did have all-time high margins in Consumer Tissue last year. But this is clearly something we need for this category to be value-creating. And as you know, our long-term margin target is to be between 13 percent and 15 percent to contribute to the overall higher ROCE target of 17 percent. So we are very committed to that.

Fredrik, could you continue then with the margin development in Personal Care and the impact from raw materials?

Fredrik Rystedt: Yes, I can absolutely do that. We had a positive impact, as we talked about, of roughly SEK 95m coming mainly from super absorbents. So that, of course, contributed quite a lot to the margin. But generally, it was also good from a mix perspective. So we're quite happy with the margins.

Iain Simpson: Which raw materials were down for you in Personal Care in Q1?

Fredrik Rystedt: Mainly – yes, it was mainly super absorbents. We also had a bit of positive currency impact, but mainly that.

Magnus Groth: As I mentioned earlier, we're expecting significantly higher prices also on oil-based materials for the next quarter.

Fredrik Rystedt: Yes, that's coming.

Operator: Your next question comes from the line of Charles Eden from UBS.

Charles Eden: Two questions for me, if I may. Firstly, on M&A, and it's been touched on, obviously, Familia marks the second acquisition where you've increased stake in a business where you already either have a controlling stake or a minority one in the case of Asaleo. Should we see this as an indication that you're not finding suitable acquisitions in Medical Solutions or perhaps you're cautious about expanding in this category given the softer current demand in the end markets? Or is it these transactions that you've now announced was always the intention for use of cash as well as further bolt-on acquisitions in Medical? That's question number one.

And then my second question is a little bit more short-term specific. But just as I look at Professional Hygiene, obviously, North America, Europe, the two major markets there. Europe, we seem to be seeing a divergence in terms of the trends of lockdowns depending on the specific markets. Can you just remind us where your larger markets are in Europe from a Professional Hygiene standpoint? Just sort of thinking about how things might be progressing there.

Magnus Groth: So the first question, no, this is absolutely no indication. Asaleo and Familia are very attractive acquisitions at attractive prices for us that – I mean these types of acquisitions are not something that you do with a three-month notice. They are long in the making. So this is something we've worked with for a long time as part of our strategy to reduce the number of joint ventures in general, of course, always with the exception of Vinda. So we are as committed as ever before. And I think it just shows that we are really gearing up our M&A machinery and very much focused on Medical as before also. So that has not changed.

Professional Hygiene, yes, we have 40 percent of sales in North America, 40 percent in Europe, approximately at least before the pandemic, and 20 percent in emerging markets. And emerging markets have mostly recovered, actually, while we had a severe negative impact. Most of the negative impact last year in Professional Hygiene was from the United States. But in the first quarter this year, we had the addition of Europe. And that's why the numbers, it's so big, minus 30 – over 30 percent.

And the big markets in Europe, Fredrik, can you help me with that?

Fredrik Rystedt: About decline in Professional Hygiene?

Magnus Groth: Yes.

Fredrik Rystedt: Yes. The whole European market was roughly minus 30 percent. So – and it was, of course, a bit different. So a little bit more in the southern part than in the northern, so – but generally, quite weak. And this was, of course, the main – as you said here, the main difference that – the restrictions and lockdown situation in Europe was really different in comparison to Q4 and it was more similar in North America and other places. So Europe was a big swing in the quarter.

Charles Eden: And can I just clarify, just in terms of specific geography exposure within Europe. Is there any market which is sort of notably different than the geographic split you give for your overall company? I'm just sort of thinking where we've seen some countries lockdowns easing, for example, UK, others are getting a little bit more stricter in Europe. I'm just trying to understand the sequential trends and what that might be for your Professional Hygiene business in Europe.

Magnus Groth: I think for the next quarter, even though many – I would say most restrictions have been extended into also now the second quarter, over Easter and then also into May, and let's see what happens. But I mean having said that, anything – actually, any news of openings will help us. So the opening – gradual opening up in UK is a good sign for us, for example.

Fredrik Rystedt: And I guess just pinpointing the absolute obvious, Charles, last year Q2, of course, was quite heavily impacted by lockdowns. So it will be better in Q2 of this year. And of course, exactly the sequence, we simply just don't know. Of course, UK is likely to increase faster and there are a couple of other countries that also are opening up, but we don't really know that. And of course, Magnus, you talked about restocking before. We don't know the exact pace. But in any case, I guess, Charles, it's likely to compare much more favorable than what we saw last year.

Magnus Groth: I mean what we're doing, and as I mentioned, you can see partly in the working capital is that we make sure that we have reasonable stock levels that are – we don't have the important assets in – mothballed or staff on temporary furlough programs at this point in time in anticipation of whatever happens. So I guess that's an indication that we are expecting opening up rather than further restrictions.

Operator: Next question comes from the line of John Ennis from Goldman Sachs.

John Ennis: I had a quick follow-up on pricing first. Can I just confirm, in answer to an earlier question, Magnus, did you say that you are expecting pricing to largely offset raw material headwinds in early 2022? I just wanted to make sure I understood that correctly. That's what I thought I heard.

And then the second question is on the manufacturing savings. The annual savings of SEK 500m to SEK 1bn looks to be roughly in line with what you usually communicate with regards to COGS savings. So I'm just wondering, should I be viewing this announcement as including any incremental savings? Or is it just the case that you're now more confident that you can deliver on those COGS savings and you're now better able to detail where they're coming from? Does that make sense?

Magnus Groth: Yes, that makes sense. So yes, pricing, we expect to recover implemented and announced price increases from – in pulp, specifically, by the first quarter of next year with – in Personal Care, it could take a little bit longer. We have other ways of doing it. But as you know, in Incontinence Care, health care, for instance, we typically have three-year contracts. So that takes a bit longer. And we are also starting to negotiate about price increases at this point in time. So that could take a bit longer. So what I referred to was pulp-related price increases.

And when it comes to the Manufacturing Roadmap, yes, this is that we are more confident for the next five years. And we've had some questions, a lot of the savings we saw over the last five years actually came from restructuring and where we're running out of low-hanging fruit or simple improvement savings. And this is a high sophistication in this program based more than on all the usual things, of course, using the machines, purchasing efficiencies, qualifying lower-cost materials and so on. But it becomes more challenging. And what we can do here is to say confidently that we can keep this pace for the next year. Of course, if it would turn out that we could find more, we will come back to you, but this is what we can confidently say right now after having done this exercise.

John Ennis: I understand. That's helpful. And then just one follow-up on the pricing point. In terms of magnitude, is the high single-digit price increase that you've announced, is that enough to be able to offset raw material...

Magnus Groth: Yes, that should be enough for what's implemented and what has been announced. But of course, if there are further announcements, then we need to raise more.

Fredrik Rystedt: Can I just add, John, maybe that there is a bit of difference this time, and Magnus alluded to it before. The increase this time, if you compare to the previous rise in 2017, 2018, it's much sharper and much stronger this time. But we also estimate, therefore, that, of course, the length of the increase will also be that much shorter. So that's a positive, you can say. It has an initial rather large impact, but we can also compensate faster in terms of pricing.

Of course, if it continues as it did last time for many, many quarters, the increase was almost consecutive for two years, then you completely – or you need to continuously increase prices and the whole compensation takes slightly longer. So that's another way that this is different this time. It's shorter and sharper, and therefore, we're also able to be quicker in our ability to compensate, hence, restoring margins first quarter of next year.

Operator: Your next question is from the line of Karel Zoete from Kepler.

Karel Zoete: I have a follow-up question with regards to the combination in Latin America and then some on Professional Hygiene as well. With regards to the integration benefits, you already alluded to it, but effectively, you're going to combine two significant businesses, as I understand. Can you quantify a bit what will be the tangible benefits on the cost side? And does it require like a significant integration of two operating companies and systems, et cetera?

And the second question in relation to LatAm would be about portfolio optimization. You have a couple of positions in Baby Care that are not number one and two. And at the same time, the core business is still small. What are the opportunities to accelerate portfolio change?

And then on the Professional Hygiene, can you speak a bit about the margin recovery when volumes come back? Because you've certainly addressed the cost base in Professional Hygiene as well in 2020.

Magnus Groth: OK. So just starting with LatAm before handing over to Pablo. We have not provided any numbers. We have worked closely with Familia for many, many years. So many of our systems ways are working, are quite interesting or integrated already. But of course, we will gradually identify more opportunities going forward, but this is nothing that – where we provide any numbers at this point in time.

When it comes then to portfolio optimization, I mean, it's clear that we are still running the Cure or Kill program, and the Baby positions in Familia are something that we are currently addressing and gradually improving. And there's a big opportunity for doing more in Medical with Familia. So that's one of the big upsides.

Maybe I already answered it, but please, Pablo, give some more color if you like.

Pablo Fuentes: Sure. Thank you, Magnus. Yes, from a geographical perspective, the Familia business has a really good fit with our existing Essity LatAm business. So in that perspective, we see a very low-complex integration and quite a seamless process. Really, what we are building is more a platform where we can work in a more seamless way to grow faster than the market with our strong brands and, of course, fueling with innovations. So yes, it's a low-complexity integration, good fit and more about growth.

Operator: Next question is from the line of Faham Baig from Credit Suisse.

Faham Baig: I have three questions, please. On Consumer Tissue pricing, how has competition responded to the recent raw material price increase? Have they announced similar price increases to you? Because I know from history, some smaller players tend to go after volume share. But does the sharp increase this time around means they're likely to do this? So how has competition responded?

Secondly on Consumer Tissue, I noticed in developed markets, when I looked at the two-year average, it dropped quite significantly. Now I appreciate that there were higher promos as well as some price negotiations in Q1 from H2 last year. But did you see an underlying reduction in demand despite people, consumers being at home?

And then on Professional Hygiene, it's slightly related to the question just asked previously, but when do you expect the business to recover to 2019 levels? And the reason why I ask that is because a number of your, I guess, peers would suggest that they don't expect out-of-home demand to come back until '23/'24. And if that is the case for your planning as well, would it not make sense to try and address the cost base more significantly? And the reason why I ask that is because I noticed in H1 – Q1, sorry, your margin was 8 percent, and that was below Q2 last year when you had a similar sales level. I would have assumed it would have been improved if you had already managed to address some of the cost base.

Magnus Groth: OK. That's – those are three massive questions. Consumer Tissue. Yes, in China, most players have announced price increases, and Vinda mentioned this also in their earnings call this morning, and so have the other major players. In North America, Kimberly-Clark has announced price increases in tissue and so has P&G, I believe. And this has also been the case for several of the smaller competitors in Europe. So it's a quite consistent message this time around then.

And last time, in '17, '18, many of the smaller players had excess capacity. They were just starting up new paper machines and needed to find offset for those volumes. And that's not the case. And of course, in the meantime, we have also taken out capacity from the market. So we see a lower risk for kind of – we see more positive momentum when it comes to pricing in Consumer Tissue in general, and again, just because the price increases are so sharp.

And yes, when it comes to volumes, I'm not – I haven't really seen those numbers. I know that Consumer Tissue in total grew 2 percent in Europe last year. This is what I've seen from recent numbers recently, it grew almost over

8 percent, almost 10 percent in the U.S. last year, so a big difference. And it's a bit of a change of mix. People are using more toilet tissue when they're at home instead of using professional hygiene products in offices and schools and restaurants and so on. Also using more household towels but less hankies. It's kind of interesting that the flu season is gone, our hankie sales are down very much double digits because of the restrictions. So even in Consumer Tissue, there are some negative impacts. But other than that, I don't think that there's – I mean Consumer Tissue has been growing slowly with 1 percent to 2 percent in emerging markets for the last number of years, and we expect that to continue.

Then professional levels, I would say that, I mean, it's very difficult to know. We can see that in some of the markets that have opened up like China that there has been a very quick recovery. I would probably have stated '23 before as well. But of course, we're not just waiting for the markets to recover. We are also working very hard to gain market share where we are strong, to get inroads into segments where we are weaker and to add, as we've spoken about many times, new adjacent products like soaps and wipes and hand sanitizers, not the least. So really contributing from many different sources to a faster recovery than just waiting kind of for the market recovery. But how long that will take, I think it's very difficult to say. Anything from current levels is – helps us a lot.

When it comes to margin development Q1 this year compared to Q2 last year, Fredrik, could you say something about that?

Fredrik Rystedt: Yes. If I may just add a bit on your question, Faham, on Consumer Tissue demand, it's really not easy for you to actually see what's the positives and negatives here. But let me just try and give you a little bit of background.

So last quarter, if you take Q1 of 2020, you will recall there was a lockdown in China, and the rest of the world for us had actually a very significant stockpiling. And so if you adjust for that, you will conclude that, actually, if you kind of deduct the impact, the net negative impact was about a negative 1 percent. Now if you have seen actually the pricing impact for Consumer Tissue, you will see that, that's a bit over 3 percent. So if you calculate the underlying actual volume demand, it is roughly about 3 percent, 3.5 percent or something.

So you can say, in short, Consumer Tissue underlying demand continues to be high. And this is not that surprising given the fact that we actually still have a considerable lockdown situation and restrictions. So people remain at home and they therefore also continue to consume more. So I'm not sure that answers your question, Faham, but it's still a very good demand in – from a volume perspective in Consumer Tissue.

Magnus Groth: From – just a reflection there, Fredrik, on a general note, and maybe that should in 10 minutes be my final note as well. But it's – I mean we have so much volatility and so difficult comparables now taking into account both what happened last year and, of course, what's happening right now, that it's very, very difficult and sometimes not possible, I think, to sort it out, all the different levers and how that's interacted.

I mean the big picture is that we can see that where markets are opening up, demand comes back, which is good news for the coming quarters. I guess that's the main message. It will be very, very difficult to sort out every quarter how it compares to the same quarter last year because, of course, in quarter two, we have the opposite impact with an easier comparable from our point of view than – assuming now that we see some markets opening up in the second quarter than last year. So just a general statement, it's very, very difficult. Of course, we spend time doing this as well within the company but sometimes come to this conclusion that I just gave here.

Operator: Next question is from the line of Oskar Lindström from Danske Bank.

Oskar Lindström: Magnus, Fredrik and Pablo, I'll try to keep three quick questions from my side given that we're running on an hour now. I mean the first one is can you guide us on the impact of finished good revaluation in Consumer Tissue for Q2 given what we already see in pulp prices?

Oskar Lindström: And then the second question is you talked about the roadmap there and you said something about reducing your exposure to pulp cycles. And you talked about using enzymes to reduce the cost exposure and in total effect about 10 percent. Is there sort of a quick explanation of what you're doing there and when we will see the impact of that reduced exposure?

And then my final question is you've talked about Medical Solutions improving whenever lockdowns ease. Did you see any such impact on Medical Solutions in North America in April? You did mention that Professional Hygiene saw better demand in April in North America. Did you see something similar for Medical Solutions? Those are my three questions.

Magnus Groth: OK. Fredrik, do you want to take number one? I'll take number two.

Fredrik Rystedt: Yes. It's – Oskar, the stock revaluation is more kind of an accounting issue. So it really has – from a more technical accounting perspective, it will actually have a positive impact. But as we already said previously, the overall impact for Consumer Tissue will be significantly higher costs. So that positive impact is, of course, small in comparison to the actual cost of purchase that we will see.

Magnus Groth: OK. And for the second question, this is a big challenge that we set ourselves. We have the Columbus alternative fiber plant starting up here during summer in Mannheim where we have high hopes where we will replace at least over 1 percent of our fresh fiber needs with straw-based pulp. And of course, if this turns out to work well, we can do more of that.

Other examples are some things that we're already doing. I mean, for instance, we are replacing long fiber with short fiber by using more enzymes to create the strength, it's just an example, but also to improve the bulkiness and using less fiber in total. So that's another example. There are also other alternative fibers to fresh wood pulps that we're looking into going forward. So it's just some examples. But it's clearly something we will really, really work with over the last year to reduce the volatility created by the underlying raw material prices.

And then Medical Solutions. I don't know, actually, is my answer to what it looked like in early April. Do you, Fredrik?

Fredrik Rystedt: I don't have the data, no. Sorry.

Magnus Groth: No, sorry.

Operator: Next question comes from the line of Sanath Sudarsan from Morgan Stanley.

Sanath Sudarsan: Two for me, please. The first one, on the short-term basis, I wanted to understand the kind of dynamics you see with promotions versus pricing, especially it seems like in Vinda, there seems to be very heavy promotions. Is that something that we should expect to continue? So what I want to understand is what's the kind of net price realization, price/mix realization that we should be trying to see going forward?

And then secondly, on a more longer-term picture, just coming back on your 2025 ambitions of more than 17 percent ROCE. Clearly, there is a demand dynamic which has changed quite materially since COVID. What I wanted to understand is, from your perspective, in your algorithm, how do you see demand by 2025 for your business? And then do you need to do more on market share or on profitability to achieve those ambitions?

Magnus Groth: Yes. So on the first question, the guidance we have provided is a combination of the reduced promotional pressure to the extent that, that's possible because the comparison to previous years will – where we didn't have much promotions will be difficult, but mostly then price increases, so negotiated price increases. But to some extent, it could also be reduced promotional pressures in areas where we have a lot of promotions currently.

And then the second question, to achieve the 17 percent, the easiest way of doing it is improving margins. And of course, our margins are somewhat cyclical as we can see from raw materials, and of course, now the pandemic is a special situation. But margin improvements, with all the efforts that we've spoken about, the Manufacturing Roadmap, the digitalization, M&A into higher-margin businesses and also growth because growth helps on return.

When we can grow with the same capital employed, of course, that helps a lot and it typically also helps margins.

Sanath Sudarsan: And if I just can follow on, on that. So if you basically – is this kind of message where you're saying you're OK with losing some volumes and some market share or demand at the expense of recovering pricing and profitability and margins in your business?

Magnus Groth: And so the way we put it is that most of our categories are very much contributing to the 17 percent target. This goes for Medical, Inco, Feminine Care and Professional Hygiene when things normalize. So the focus is very much on growth, while when it comes to Consumer Tissue and Baby Care, we have a much more balanced view, and we are – our top priority is to protect and enhance margins by improved structural profitability. And then once that's achieved, we can grow. So different priorities there.

Operator: Next question come from the line of Linus Larsson from SEB.

Linus Larsson: First, I'd like to ask on Professional Hygiene. We've talked mainly about Consumer Tissue in respect of price versus cost. The biggest margin contraction was actually in Professional Hygiene, and that's obviously relating to what's going on with COVID, et cetera. But you're also seeing cost inflation there and you said that you have initiated some price hikes. Could you share a bit more details around that? What's the sequence here? What are the time lags? How long are contracts? Have you launched price hikes in both Europe and the US? And if so, how much?

Magnus Groth: I don't have that much more information to give because these are discussions we're having that are partly theoretical because we're still waiting for the volumes to come back. So that's the number one priority, and that will have a much bigger impact on the margin improvements in the short run than price increases. Then, eventually, since also recycled fiber prices are coming up, we will do that. So we are having such discussions with customers. But right now, we're more talking about volumes here.

Linus Larsson: OK. And for clarification's sake, when you talked about, at the beginning of the call, significantly higher raw material costs, that's for all three divisions on a year-on-year basis?

Magnus Groth: Yes, and significantly higher also for oil-based and pulp and including fluff pulp sequentially, except for recycled where it's higher.

Linus Larsson: All right. Got you. And then just finally, if I may, on capital allocation. Now obviously, there's a bit of M&A happening with Asaleo and Familia, but you also have a buyback mandate in place. Could you just share your thoughts on that? How does that play into your thinking on capital allocation?

Magnus Groth: Our number one priority remains to invest our cash flow into profitable growth through both organic initiatives and through M&A. So that remains our top priority. So I think that's what I have to say. But we have this mandate now going forward.

So let's see, we have three more questions, and it's already 16 past. So if we can do that in four minutes would be great. Celine, let's try to be very, very brief here.

Operator: Next question from the line of Celine Pannuti from JP Morgan.

Celine Pannuti: Yes. I wanted to have a follow-up to clarify what you were saying about the 700 – 7 percent price rise that you need to put to offset raw material costs. So is it 700 basis points to offset the cost of material or 700 basis point price rise to maintain your margin? Because when I do the calculation, if it's just to offset the cost of raw material, I see that gross margin could have an impact of 300 to 400 basis points. So could you clarify that, please?

Magnus Groth: Fredrik, we also did some back-of-the-envelope calculations. Am I wrong here? Or what's your view on this?

Fredrik Rystedt: It's quite a detailed question. So I guess, Celine, what you're after is when raw material goes up and therefore price goes up and sales goes up, then from a margin perspective – so I think in the end, it will depend exactly how much we have to rise. It will depend, of course, on the future development of pulp and plastic prices, et cetera. So I don't think we have been that specific, Magnus.

Magnus Groth: No. But of course, our long-term targets are very clear here. We need 13 percent to 15 percent margins in Consumer Tissue and 18 percent to 20 percent in the other two segments in the long term. So that's what we're striving for and as quickly as possible.

Fredrik Rystedt: And just to be very clear there, we haven't specifically said 7 percent. We've said high single digits. It's mid- to high single digits, Celine. And we've also talked, as Magnus said, that we, of course, believe with what we can see that we will be able to restore margins in Consumer Tissue by Q1 of next year. But of course, there is a lot of things we don't know, so this is as far as we can come right now.

Celine Pannuti: Yes. All right. And just one follow-up on, Q1 for you still was raw material deflation. You are talking about raw material inflation. When are we going to see sequentially the highest impact of that? Is it going to be Q4? Or already in Q2, are you going to see a high impact because you're not seeing the pricing yet? Could you just give us a bit of a help on that?

Fredrik Rystedt: I can start there, Celine. Q2 will be up, as Magnus was alluding to before. So a lot up. And then, of course, depending – we don't know, right, but depends on the pulp price development, but Q3 will be even higher. And we'll leave it at that because then we, of course, don't know. But Q2, it will be gradually increasing, Q2 and Q3.

Magnus Groth: OK. Some quick last questions. One minute each here, if possible.

Operator: Next question comes from the line of Sindre Sørbye from Arctic Asset.

Sindre Sørbye: Yes. Just more explicitly related to the latest question, are you actually taking into account that the recent pulp price increases will go through, so you need to increase even more pricing than you already indicated? Or have you taken that into account? It is obviously the question.

Magnus Groth: We have to assume that already implemented and also kind of announced price increases will go through. And then we – of course, we will see what happens. So it's difficult to say really.

Operator: Last question comes from the line of Virendra Chauhan from AlphaValue.

Virendra Chauhan: So you were saying that you're taking price increases in Consumer Tissue to offset the higher raw material prices. However, in the report, you also mentioned that Consumer Tissue is benefiting from lower raw material prices in Q1. So that kind of seems a bit contradictory. Could you just clarify that for me, please?

Magnus Groth: Yes. This is because there's a very, very steep rise in the pulp prices. We have a lag before announced prices come into our books. And thirdly, we have benefited in the first quarter from beneficial currency developments. I think, basically, that's why it's such a quick shift here going into the second and in the third quarter.

OK. So with that, I would like to thank everyone for a very active session. And again, comparisons are tough. We are preparing for gradually improving market conditions. We are very optimistic about the ongoing vaccination programs in most of our main markets. And we are starting to see improvements already in some places. And of course, we will continue to invest for the future to make Essity an even more competitive and successful company going forward. Thanks for listening.

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