Event: Carlsberg Q1 2016 Trading statement

Date: Wednesday, 11 May 2016

Speakers: Cees 't Hart, Chief Executive Officer
Christopher Warmoth, Executive Vice President

Call Duration: 40:13

Operator: Ladies and gentlemen, welcome to the Carlsberg Q1 Trading Statements. Today, I'm pleased to present Carlsberg President and CEO, Cees 't Hart. For the first part of this call, all participants will be in a listen-only mode. Afterwards, there will be a question-and-answer session. Just to remind you, this conference call is being recorded. Please begin.

Cees 't Hart: Good morning, everybody, and welcome to Carlsberg's Q1 2016 Conference Call. My name is Cees 't Hart, and I have with me the Executive Vice President, Chris Warmoth, who is heading up Funding the Journey; Head of Finance, Jan Thieme Rasmussen; and Vice President of Investor Relations, Peter Kondrup.

I will now run through the highlights of Q1, after which, we will open for questions. As we from this year issue trading statements on Q1 and Q3, we have not reported a full P&L but only volume and revenue numbers for the group and the regions.

Please turn to slide 2. We delivered a solid start to the year as we reconfirm our full-year expectation for organic operating profit growth. In the first quarter of this year, organic net revenue grew by 2%, driven by a very solid price/mix of 4%, which, however, was partly offset by an organic volume decline of 2%. Reported net revenue declined by 3% as a result of the negative currency impact, especially the year-on-year weakness of the Eastern European currencies.

Our main event in the first quarter was the announcement of our revised strategy, SAIL'22. Since its publication, we have been communicating the priorities internally and externally. The work on implementing SAIL'22 has been kicked off. We have, or are in the process of appointing dedicated teams and we are the developing the action plans for 2017 in support of the strategic priorities while also carrying out immediate action of certain initiatives.

The Funding the Journey program continues to make a good progress and we are on track to deliver the guided annual net benefits of DKK 1.5 billion to DKK 2 billion in 2018.

Some sound bites on actions taken so far are the elimination of approximately 950 SKUs out of a target, which has risen from 1,652 to above 2,000 SKUs, the closure of eight breweries with more to come in China and the reduction of our white-collar head count by around 2,000. Moreover, we are in the process of moving a significant amount of back-office work to an external service provider in India, and within operating cost managements, 12 of 15 cost groups have lower than targeted spending across all regions and entities.

Slide 3 please and Western Europe. We estimate that the overall beer market in Western Europe was flat for the quarter. Our net revenue declined organically by 3%. We delivered a healthy price/mix of plus 3%, but total volumes declined organically by 7%. The positive price/mix was due to easy comps, as well as our new value management approach, which focuses on achieving the optimal balance between market share, gross profit after logistic margin, and operating profit. We call this the golden triangle. This new approach has enabled us to improve price/mix by putting more focus on profitability by brand, SKU and channel, and on promotional activity profitability.

Volumes were negatively impacted by the delisting at a customer in the UK, our withdrawal from margin-dilutive contracts in two markets, and tough comparisons with Q1 last year that was positively affected by stock-building ahead of the BSP1 implementation in some major markets.

Looking at selected markets, we lost some market share in France, mainly due to different phasing of promotional activities versus the last year, as we will focus our commercial activities this year around the Euro Football Championship.

In Switzerland, our specialty beers and the Braufrisch line extension of the Feldschlösschen brand did well. In the Nordics, we saw a slight overall market decline. Our volumes declined due to a tough Finnish market, market share losses in Finland and stocking last year in Denmark because of BSP1. In Finland, the share loss was due to our withdrawal from a margin-dilutive contract. Our Norwegian business continued its strong performance. Across the Nordics, our craft and specialty brands performed particularly well.

In a flat Polish market, we defocused promotionally-priced big formats in the modern rate. This had a positive impact on price/mix, but a negative impact on volume. We saw a good performance of innovations, which includes the recent launch of Kasztelan non-pasteurized wheat beer, which is the first of its kind.

Slide 4, please, and Eastern Europe. We estimate that the Eastern European beer markets declined by mid-single-digit percentages in what is a seasonally very small quarter. In Russia, we saw a slightly growing market in the month of March due to favourable weather. Our net revenue grew organically by 20% as a result 12% price/mix and 6% volume growth.

The volume growth was mainly driven by easy comparisons in Russia as we took significant measures last year to reduce stock levels at distributors, in response to the market decline and the continued shift from traditional to modern trade. The strong price/mix was driven by last year's price increases as well as a weak mix last year, when the destocking mostly impacted premium products. The price/mix will be less pronounced in the coming quarters. In Russia, we increased prices during February by around 3% to 4%.

Moving ahead our commercial results in Russia, we saw a positive performance of our key brands such as Baltika no. 7, Zatecky Gus and Tuborg. Also, the relaunch of Carlsberg and the new and lower price point came off to a good start. We've seen positive initial signs of the increased focus on local and regional brands, and we continue the expansion in the draught-in-off-trade (DIOT) segment. Our Russian market share declined year-on-year but improved sequentially versus Q4, driven by better performance in modern trade.

In terms of the overall market development for the year, we remain concerned expecting a challenging market due to the macroeconomic conditions, the implementation of the alcoholic monitoring system, the so-called EGAIS system and possible PET restrictions. The EGAIS system has, so far, not impacted us materially, but the risk of disruption at some retailers during the summer remains. The PET discussion has continued and the position of the regulators remain unclear.

In Ukraine, we gained market share in a challenging market that was impacted by the weak economy and excise tax increases in January.

And slide 5, please, and Asia. The beer market development in Asia was mixed with continued growth in markets such as India and Nepal, while the Chinese market declined by an estimated 3% to 4%. Our Asian net revenue grew organically by 5%, as a result of 6% price/mix and flat total volumes. Reported net revenue declined by 1% due to a negative currency impact mainly from Malawi, China and Malaysia. We achieved volume growth in India and Nepal, while volumes declined in China and Vietnam.

In China, our volumes declined by 3% due to the brewery closures in eastern China and the market decline. We estimate that we maintained our market share despite the continued restructuring of the Eastern Asset business and the consequent closure of breweries. Although this has a negative impact on volumes, it will actually improve our profits in China.

A few general remarks on China, which is a market where we see ongoing premiumization happening with the premium segment, showing a much better development than the discount and mainstream segments. We are in the process of deemphasizing our discount offerings, reallocating more support towards our premium portfolio, where we hold one of the strongest international premium portfolios with brands such as Carlsberg, 1664 Blanc and, not the least, Tuborg, which has become the second largest international brand in China. Tuborg plays an increasingly important role in our portfolio, accounting for close to 20% of our Chinese beer volumes. This ongoing premiumization positively impacts price per hectoliter and this was also seen in Q1 when we delivered the price/mix of approximately 5%.

Our non-Chinese business grew volumes by 3%. India continues to perform strongly and delivered more than 30% volume growth in a market growing by mid-single-digit percentages. Tuborg was an important driver of the growth. Following the decision in the State of Bihar in India to ban all alcoholic products, the growth in India for the remainder of the year will be somewhat slower than what was achieved in Q1.

In Vietnam, Q1 was impacted by the fact that the sell-in to Tet took place in December last year rather than in Q1 of this year. To leverage Tuborg's popularity with Asian consumers, we launched the brand in northern Vietnam in early April.

And finally, please turn to slide 6 and the outlook. 2016 is an important year for us, as we will focus on realizing the benefits from Funding the Journey and start embedding and implementing SAIL'22. As mentioned earlier, we are progressing well on both initiatives. Based on the solid performance in Q1, we maintain our earnings expectations for the year, and thus expect to deliver a low-single-digit percentage growth in organic operating profit for the full year. In addition, we will continue to focus on further debt reduction.

In terms of phasing of earnings growth between the first and second half year, we expect to see stronger results in the first half year than in the second half year due to easy comparisons with last year's weak second quarter performance, expected higher spending behind the SAIL'22 priorities in the second half of the year.

Based on the spot rates of May 9, we estimate that the negative full year translation impact will be DKK 550 million compared to the estimate at the beginning of this year of DKK 600 million. The improvement is because of the stronger Russian ruble while weaker Western European and Asian currencies will impact negatively. All other assumptions are unchanged.

Before I open for the questions, let me summarize the first quarter in a few words. We delivered a solid Q1. The delivery of Funding the Journey benefits is on track, and we have started the implementation of SAIL'22. And finally, we maintain our organic earnings outlook for the year.

With that, I would like to open for questions.

Question & Answer Section

Operator: Thank you. [Operator Instructions] First question comes from Jonas Guldborg from Carnegie. Please go ahead.

Jonas Hansen: Yeah. Good morning. I have a couple of questions here. Firstly on Asia, with the Chinese beer market down and the effect from brewery closures and also the continued growth in India and other places outside of China, what do you then think about the full year volume development in Asia?
And secondly, could you just elaborate a bit on the comments you made around the Polish market and you pulling out of big format campaign activity?
And then my third question would be you closed eight breweries in China, and you say there's more to come, then how much more to come?

Cees ‘t Hart: Thank you very much. What I'll suggest is that as Chris is still responsible for Asia, he will take your first and your third question and I will do the Polish market. Chris?

Chris Warmoth: So, on Asia volume, I think, we're less positive than we've been in the past, where we've been seeing good volume growth but, as you mentioned, we are expecting the Chinese market to continue to be soft for the full year. That's continued in Q1 and, we think that will continue for the next three quarters.

The rest of Asia also is seeing slowing down. We do see good growth in India. Obviously, the Bihar issue is going to contract that market a little bit. We see good growth in markets like Nepal. But in some of the other economies, which are linked to China, we see a slowing down.
What we are seeing generally is also premiumization. So, what you saw in Q1 was volumes softer than we've seen but continued good price/mix development. And, I think, that we expect to continue for the rest of the year.
Taking your last question on China, as you said, we have closed eight breweries in the last year and we are most of the way through that program. And as we look to finalize the program, we need to do some further work. We have some joint ventures and we need to work out the optimum way to source the volume we do have on the East Coast. So, we say more to come, but I think the key message is we're most of the way through.

Cees ‘t Hart: Regarding Poland, we indeed defocused promotionally-priced big formats in the modern trade, as a consequence of our so-called golden triangle why we want to balance better volume GPaL margin and EBIT, and for that reason, we are relooking at our promotional programs during the year. And obviously, at the moment that we do that, it has a positive impact on price/mix but, as well, some negative impact on volume. So, it's rebalancing our commercial offering.

Jonas Hansen: Okay. Thank you very much.

Operator: Thank you. The next question comes from Hans Gregersen from Nordea. Please go ahead.

Hans Gregersen: Good morning. Some questions. Chris is now moving, if I read it correct, away from Funding the Journey more to SAIL'22. Is this a sort of a signal, Cees, that you are now increasingly focusing on the next step on the strategy rather than just on cost implementation? That's the first question.
Secondly, you have touched a little bit on Poland that you're reducing your campaigning activity. Can you give any indication as to how big your capacity utilization is currently?
And then, in the statements regarding the strategy you mentioned that 12 out of 15 cost-cutting categories has performed better than expected, but three are missing out. Are they significant and why are they not seeing a similar development? Thank you.

Cees ‘t Hart: Thank you for your questions. With regard to Funding the Journey, I think the answer is yes. They’re two reasons for moving Chris out of Funding the Journey towards SAIL'22. The first reason is that Heine comes on board by the 1st of June and you can imagine that Funding the Journey is something close to the heart of a CFO as well. Well, it's close to all our hearts, but the CFO should monitor that.
The other thing is that Chris did a great job in a few months to really set up the entire system so that we are now very well equipped to monitor everything. Take, for example, the SKU reduction, we know, if you like, every SKU that we want to move out by name. So, that's important to track it. And the same is when we talk about the reduction in numbers of white collars and so on and so forth.
And by this, and Chris will tell you in a moment why three are not yet on budget, but then we know as well by cost location what is on target and what not. So, the system is set up very well. That means that we now can move forward by monitoring it, keeping the same pressure, obviously, as we did so far.
This means as well that the accent moves into indeed building our business because you cannot improve your business only by looking at costs. We want to grow the top line. We have an ambitious program. And for that, we are very glad that Chris accepted that new role and he will do that with the same kind of focus and alertness as he did in Funding the Journey.
I would like to say as well that we will balance the handover so that we will not have any negative impact on the progress on Funding the Journey. With regard to the cost groups, over to Chris.

Chris Warmoth: So, we have 15 cost groups and the whole idea of OCM is we work horizontally. As we set up the targets for this year, our 2015 data was less robust than we would have liked and as part of Funding the Journey and as part of OCM, we worked quite heavily to get granular costs. So, I wouldn't put too much emphasis against with the specifics. I think the main point to the overall program, OCM and Funding the Journey, is on track. And as we get more granular, we'll be able to make sure that all of the cost groups, the targets are very robust and that we then get plans again. But I think the overall message, we're in Q1 on Funding the Journey. It's still early days, but we are starting to see the sort of progress we would expect at this point.

Sorry. The volume capacity. Basically, we cannot say after one quarter of rebalancing towards the golden triangle that we see a huge impact on our capacity. Obviously, our network in Europe is under continuous scrutiny. But I don't have very specific figures as we speak on the occupation rates in the different breweries. But obviously, that's, as well, part of balancing the volume development with the margin and the EBIT.

Hans Gregersen: Recapturing previous comments on Poland. There were some signals that you're running close to the capacity limit. So, I guess, a part of this is also to avoid CapEx.

Cees ‘t Hart: Absolutely. Let's say the Polish market became very much a volume-oriented market over the last 18 months and you don't want to move into a kind of game that you're hunting for volumes which are at a lower margin and, at a certain moment, need to have some investment in CapEx against the same kind of low margin. So, it's optimizing our mix. And we do that, of course, in relation to the capacity we have. In total, we don't have any capacity constraint. Some of the breweries are bit more constrained on some of the lines and some of the packaging formats. So, that's really like a really good operating planning in order to improve the balance there.

Hans Gregersen: Thank you.

Operator: Thank you. The next question comes from Nik Oliver from UBS. Please go ahead.

Nik Oliver: Hi. Good morning. Thanks for the questions. Firstly, just coming back to Western Europe and that rebalancing between volume and value. How long should we think about that process taking, i.e., how long should we think about volumes, perhaps, growing less than the overall market as you look to improve the overall mix?
And secondly, on Russia, you flagged the sequential improvement in market share in Russia driven by the modern trade. Just a little bit more color on what's driving that. How is the current competitive landscape in the modern trade in Russia? For example, have your peers followed your last price increase? And how should we think about the growth in the modern trade for margins? Because, I guess, modern trade margins are a little lower than the other formats or other channels. Thank you.

Cees ‘t Hart: Thank you. With regard to the volume/value, I think you have a point. And we have been clear on that one that you can expect some slippage of market share. We have anticipated that for 2016. Obviously, that should be, let's say, limited to some slippage and we don't want to have a big decline in market share. But for sure, we're not hunting for market share. It's all about this balance. And in the course of the year, we need to get that balance right.
You will see in some of the Nielsen readings that here and there, we lost some volume share. And in the total balance of the golden triangle, we need to look whether this is the right balance we have we strike, and whether we have the right actions. At this moment of time, indeed, you see some pressure on volumes and a good improvement of the margins.
With regard to Russian, modern trade, yes, indeed, we have grown market share, a significant market share, I would say, over the last couple of readings, then I'm talking about the movement from October to now. October was our lowest point in Russia modern trade, and we said this is unacceptable, of course. I told you earlier that the reason was that before the summer, just before the season, we had increased our prices in Russia. That was, at that moment of time, not followed by our competitors. And by that, the price premium on shelf between us and the competitors was still high and that has cost us some market share.
In Russia, of course, market share, that's different from Western Europe. Market share for us remains a very important part of the triangle. This has maybe a bit more emphasis on keeping our market share there. And, again, we have been able to increase our market share by more focus on the modern trade, on our commercial propositions towards our customers, renewed emphasis on key account management,

professional key account management in the modern trade, but as well some of our competitors have, over the last six months, increased their prices, and by that, the price premium of our brands vis-à-vis competition is lower.
The last price increase we did in the modern trade wqas 4% by February. We have not seen any increase yet of our competitors. So, so far, Russia.

Nik Oliver: Great. And then just finally on that margin question on Russia. Should we think about growth in the modern trade as being a small negative to the overall Russia margin?

Cees't Hart: The two things on that one. Of course, the gross margin, as you know, is different between the traditional trade and the modern trade. However, the cost to serve, if you like, is different as well because in logistics but as well in the number of sales reps you need that is different. So, we're looking at further fine tuning our organization to ensure that we will not lose EBIT margin just because of the fact that the traditional trade is becoming smaller and the modern trade is becoming larger. But on the gross margin, indeed, you see some impact on that.

Nik Oliver: Okay. That's very clear. Thank you.

Operator: Thank you. The next question comes from Frans Høyer from Jyske Bank. Please go ahead.

Frans Høyer: Thank you. Question regarding COGS and the development in your COGS. I'm thinking especially packaging and logistics. So, what sort of developments are you seeing there?

Chris Warmoth: So, the position on COGS hasn't really changed since the start of the year when we said we expected COGS to be slightly up, heavily driven by Russia where we see quite a big increase in COGS. About 30% of our materials, especially packaging material, are hard currency-denominated. So, they obviously get more expensive in Russian rubles. Malt is not hard currency-denominated but is susceptible to export and, therefore, is influenced by the currency.
In terms of Western Europe and Asia, we expect COGS to be quite competitive and that is why overall, we would expect a slight increase. We do have costs going into a year with quite a lot of our raw and packaging materials already hedged.

Frans Høyer: Okay. Thank you so much.

Operator: The next question comes from the Laurence Whyatt from Société Générale. Please go ahead.

Laurence Whyatt: Hi. It's Laurence here from SocGén. I was wondering if you could give an update on the costs saving program and just whether the target is still DKK 1.5 billion to DKK 2 billion or whether you'd be able to guide towards the top end or the lower end of that number. Also, on the target net debt, your target leverage, do you have any guidance on whether that's a net debt to EBITDA figure that you look at and at what level you would be comfortable?
And then, thirdly, just looking ahead to the major football tournament that we've got in Europe, do you expect that sponsoring the major football tournaments, generally, enjoy better beer sales than the rest of the market? And we noticed you've withdrawn from the Premier League sponsorship and whether this is something that's going to continue on in your marketing strategy, and these costs are becoming down for the cost-saving program. Thanks.

Chris Warmoth: So, in terms of Fund the Journey, it is a three-year program. We're one quarter into it. We began with DKK 1.5 billion to DKK 2 billion net benefits, I think it's still solid. We have mentioned that we have a stretched target of DKK 2.3 billion, and it's too early to conclude where we're going to end up. Is it going to be DKK 1.5 billion? Is it going to be DKK 2.3 billion? But as I think Cees indicated in his comments, we are getting some good traction and we're encouraged. We have programs across the whole P&L and we're seeing progress. But quite honestly, a little bit too early to give you guidance on are we going to be closer to DKK 1.5 billion or closer to DKK 2.3 billion.

In terms of our debt-to-EBITDA ratio, as you recall, we ended last year at 2.3x. We have a target to get to below 2x. We've got a heavy focus on cash, on CapEx, and we certainly expect to make progress towards that target. But again, it's early. Q1 is a relatively small quarter. And it's too early to provide any specific update. On football, because Cees has no vested interest in the EURO, with Holland not participating, I'm sure he'll answer.

Cees 't Hart: Yes. Let me now comment on that one. Indeed, we are investing in the EURO for this year. And the experience we have and we did, of course, a thorough analysis on the Poland cup four years ago, or the EURO Cup in Poland four years ago, and there we saw good sales but very high cost. And obviously, that's what we see this year in France, as well, and an increase in the market share the year after. So, it seems to have a bit of a delayed effect. And if we look back for eight years, we saw the same kind of pattern. So, to your question, what can we expect, that's indeed good sales, but I think the entire beer market in France will be up. So, what we see is good sales, high cost and then a slightly delayed positive impact or effect on the shares.
With regard to the totality of our soccer/football sponsorship, we have, as you know, a support of Liverpool. We stopped in the Premier League. This year we do the EURO Cup. And in the totality of that, after this, we will evaluate further because we need to make sure that we are able to support all our brands well. And in that respect, we take this into consideration for our plans in the future on this kind of sponsorships.

Laurence Whyatt: Thank you very much.

Operator: Thank you. The next question comes from Nicole McHugh from Goldman Sachs. Please go ahead.

Nicole McHugh: Hi. Good morning. I have two questions on Russia. You mentioned that the PET discussions remain ongoing. I was wondering if you will be going ahead with the self-imposed restrictions on PET in 1.5 liters and above, or is there an update on this. And then secondly, I was wondering if you have any additional color on the underlying trends in Russia. Have you seen any improvement in the consumer or are you still expecting similar levels of decline as in 2015? Thanks.

Cees ‘t Hart: Thank you. With regard to the PET, it's a bit difficult to say where the current stage is and the Prime Minister Medvedev has ordered the Parliament to really come now to a final decision on that. That was without any guidance, nor positive or negative on PET but just to say we now need to come to a kind of conclusion.
So, you can imagine that we spend a lot of time on putting our case clear into both parliament and to the ministers and we have met as well with the Finance Minister two weeks ago to really explain the potential impacts of this to the market.
We feel that it's very difficult to see what the outcome is at this moment of time. So, in that respect, we keep a bit of a concern that this really can come towards us in an unexpected way. On the other hand, there are some positive signals as well that it could be only focused on 1.5 liter plus. But again, it is indecisive and difficult to predict.
By this, it is not sure either whether this is something that impacts us in 2016. I think the likelihood of that is lower. Probably, it is something that will be decided in the Parliament in September and that would mean that there may be a date like 2017 or 2018 when this is being, let's say, effective. So, as you hear from my explanation, really, at this moment of time, it's very difficult to make any guess how this will land.
With regard to self-regulation, we are reducing the higher levels of alcohol above 1.5 liter. The industry has delayed a bit just because of all the discussions that suddenly came up about four weeks ago by the order of the Prime Minister Medvedev. And, therefore, most of the parties have postphoned a bit the self-regulatory measures. We, again, take some of the measures, especially on the 6%-plus alcohol above the 1.5 liters.

Nicole McHugh: Thanks. And on the underlying trends in Russia?

Cees 't Hart: With regard to the underlying trends, we see, let's say, the readings are a bit difficult. The first two months were pretty poor. They were - recalled that to the secondary sales, so that we really sell to our distributors and the trade's sell-out to the consumers - was a total minus 11.4. On the other hand, March because of good weather, was even a bit positive which was for us, of course, a good reading to see that, at the moment that the weather is good, we see some correction in the trade. We believe that the market will remain difficult. We think something between the minus 5%, minus 8%. That's what we calculate which, for the remainder of the year, as an average of the decline of the market year-over-year. That means as well, of course, that means as well, of course, when we talk year-over-year, that we take into account, I'd say, the trend of last year. And again, March was slightly positive. I'm not seeing the reading of April yet. In total, we calculate minus 5% to minus 8%.

Nicole McHugh: Very clear. Thank you.

Operator: Thank you. [Operator Instructions] The next question comes from Hans Gregersen from Nordea again. Please go ahead. Hans Gregersen from Nordea, your line is open.

Hans Gregersen: Sorry. Just a follow-up on the SKU reductions and brewery closures. What is the total volume impact from these across the three regions? That's the first question. Second, you mentioned you did quite well in premium segments where ABI, obviously, is the clear market leader in China. What is your market share within the premium segment in China? Thank you.

Chris Warmoth: So, on the volume impact of the SKU reduction, the way we're executing it is to aim for very limited volume reduction. We're not trying to do it overnight, so the plan to take out over 2,000 SKUs is by the end of this year. So, it's a very planned, carefully orchestrated process. We will also be adding some new SKU. So, that isn't a net number. That is a gross number.
Of course, overall, we expect to be down, but we expect that the greater focus on existing higher volume SKUs coupled with new items will at least offset any volume reduction from those SKU reductions.
On the brewery closures, as we mentioned in China, our volume is down by about the same amount as the market in Q1 and our volume is particularly down through the brewery closures. So, if you were to take out the impact of the brewery closures, we would be doing slightly better than the market.
And you had a question on the premiumization in China?

Hans Gregersen: Yeah.

Chris Warmoth: The Chinese market have different segments. It depends where you call premium. I guess like most payer markets, you've got mainstream, you've got mainstream plus, what we call sub-premium, and premium. Tuborg plays in the sub-premium, and in that particular segment, it would be the leader. Carlsberg, for example, plays in the premium where Budweiser would be much bigger. If you were to take the whole of that sort of international segment together, let me think roughly, we would, perhaps, be about 20% of it.

Hans Gregersen: Thank you.

Operator: Thank you. The next question comes from Jonas Guldborg from Carnegie. Please go ahead.

Jonas Hansen: Yeah. Just one follow-up on these price increases in Russia, did you say that the competition had followed and increased prices or that they hadn't followed?

Two things. Indeed last year after June, they did not follow. Then over the remainder of the year, so after the season, the remainder of the year, they increased. For this year, we have increased by 4% in the modern trade, 3%-3.5% in the traditional trade. And we have not seen any price increase this year.

Jonas Hansen: Perfect. Thank you very much.

Chris Warmoth: Let me go to the final question, please.

Operator: That was the final question. I'm handing it over back to you sir.

Cees 't Hart: Thank you very much. Thank you very much for calling in. We're looking forward to keep in touch about the progress on Carlsberg. Thank you, and have a very good day. Bye-bye.