Sarantis S.A First Half 2023 Financial Results

Conference Call

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Conductors:

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Mr. Christos Varsos, Group Chief Financial Officer

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Conference Call Conducted by Chorus Call Hellas

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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Mina your Chorus Call operator. Welcome and thank you for joining the Sarantis Group First Half 2023 conference call and Live Webcast to present and discuss the Sarantis Group First Half 2023 Financial Results.

Mr. Giannis Bouras, Deputy CEO, Mr. Christos Varsos, Group Chief Financial Officer & Mr. Kostantinos Rozakeas, Group Strategic Advisor

Mr. Rozakeas, you may now proceed.

ROZAKEAS K: Ladies and gentlemen, good afternoon. Thank you for your participation in today's conference call. Before we start, I would like to introduce the new Sarantis Group management.

As you are aware, exactly 3 months ago, changes in Sarantis Group management had been made specifically, Mr. Giannis Bouras after 3 years of very successful holding position in as a Chief Commercial Officer was promoted to Deputy CEO taking all the reporting lines on him, and of course, the responsibilities around the Group. At the same time, Mr. Christos Varsos with an attractive career path joined us as the new Group CFO. Recently, Mrs. Eleni Moustakidou joined us as a new IR manager.

Following this short introduction, it is time to pass the speech to Giannis and Christos in order for them to present Sarantis strategy, and of course First Half…the First Half 2023 financial results.

Giannis, please proceed to the presentation.

BOURAS G: Thank you. Thank you, Kostas for the introduction and hello to everyone. Thank you for joining the call, and over the next few slides, we are going to give you a little bit of more background around the Half One results.

Before we start with the half numbers, as you have already seen from yesterday, I would like to have an update on the strategic priorities of the Group and a general business update for the First Half of the year. You know, Sarantis is a consumer goods company, focusing on the consumers, so for us it is very critical to remind or review a little bit of our story, because this is very critical one and defines the role of Sarantis in the different markets that we operate.

No question that Sarantis is a long-standing reputable company built on excellence and ownership and humbleness, trust and of course, sustainability, and this is part of our new values of Sarantis ETHOS that we have launched last year and define and differentiate Sarantis from the rest of the companies.

It is also critical that Sarantis Group is consisted by a lot of passionate people dedicated to our business, delivering and committed for maximizing the results of the company. At the same time, Sarantis is always nearby our stakeholders as an indispensable partner and this is very critical is one of the differentiators that I will explain you later. Nearby means close mentally, physically and business wise with our stakeholders.

And nearby also to our local communities that works hand-in-hand were moving on with our journey and by providing a better today while caring for tomorrow, which is also critical and differentiating for Sarantis Group. And this is a big message for us, we care for the future the same way we care about the present, and this is part of the family culture that represents Sarantis as a Group.

Here I'm presenting a little bit about the scope of Sarantis, and our competitive advantages which are critical when we discuss about the business going forward. Our scope remains the key focus on our Central Eastern Europe territory, and of course, as you would see later selected international markets on Beauty.

We are focusing on Home Care Solutions, on Personal Care and Beauty, and as you already know, from our recent, from our history on bolt on value assertive acquisitions. Also, traditionally Sarantis has been working with strategic distribution partnership which is part of our portfolio especially in Beauty Care.

But what makes Sarantis different versus the rest of the companies? One big differentiator for us is the fact that we operate in Central Eastern Europe region with very big local consumer understanding, consumer is at the centre of our category design and we design for the territory, which there are not many companies that they are designed for that regional level.

Also, we are revitalizers of local jewel brands through the acquisition strategy Sarantis has inherited big, reputable brands in the territory, that we have the skill set to revitalize them and make them even bigger in our markets.

Critical also for making all this happen is our investments in the infrastructure in the region, because Sarantis is investing everywhere in the value chain, whether it's supply chain, whether it's commercial, distribution in all our countries with people on the ground working hand-in-hand with our partners.

Critical for our Household and Home Care Solution supply chain is cost competitiveness, so significant investments went behind all this over the last years, and these are coming now to life with believe supporting great results for us, for our future. I mention also before our long-term approach is part of the family culture, we care about today and tomorrow in the same way.

Last but not least, we are front line leadership as an approach, what means and this is a result of the past decision-making, and as we are moving on into our future, Sarantis is a regional company that we don't want to become a small multinational, but more of a big start up in terms of mindset. So, this is something that help us to make decisions faster, compete with our competitors in a different…in different way and differentiate Sarantis from the rest of the companies.

Few things about our strategy. We have 3 pillars on our strategy, but also linked with our mission that we have revised last year, and few things about our mission as a company the consumers are at the centre, by uplifting the mood of them, right, with the simply, beautiful simplicity, simplicity is a keyword that we want to define our next steps as a company.

Making the lives better every day. We're having everyday products in our portfolio and working very closely with our stakeholders to create value. The 3 elements of our strategy is, of course, the strong growth, whether that one is organic growth, because that's critical, we believe that's critical organic growth to create a sustainable organic growth system, and with acquisitions that they are coming on top.

A big part of our strategy, the simplification and efficiency, which means that we are unlocking value and release energy in the organization, and you will see few more details later on.

Of course, organization capability, if you want to move forward, you need to develop your organization. And this is what we are investing on, because people is the most important asset of the organization, and we need to upscaling the game and the leadership development at the same time.

Moving to the first one on the growth side, as you can see, we try to segregate a little bit the categories that we're working in a different way, that makes things much more simple and focused from our point of view, and for all of you to understand.

So, we are segregating our Group, growth drivers, in 4 categories. The first one category is the Beauty and Skincare; the second one is the Personal Care; the third one is the Home Care Solutions, and the fourth one is Strategic Partnerships.

Private label you will see later is part of the Home Care Solutions category, and I will explain more details in the next slide.

As you will see, Sarantis has a significant number of reputable brands in every of category, brands that either developed by the company over the years or acquired over the last previous years. In the first 3 categories, Beauty, Skincare, Personal Care, and Home Care Solutions, Sarantis also has a strategy, as I said, several acquisition as a part of, to maximizing the incremental value.

Now, few words about each of the categories. On the Beauty and Skincare, our objective is to disproportionately grow this category. And why, first of all, the category is high gross margin, which improving our portfolio mix, right. The second one is also we are being selective on expanding the category in the different territories. We are developing superior consumer propositions with the relevant communication, and we are backing up all these initiatives. We increased consumer investment to build trial, and we are very serious about the growth of this category. This category in general is in a growth momentum yielding in our territory.

Personal Care is a core profit generator for us. We have a traditionally have been very big players in this category. We are focusing on distribution expansion, right, and we try to make consumers in all channels. We are reaching younger consumer via innovation and brand building. As I said before, we revitalize local jewel brands as a competitive advantage. And in some of the categories, in the mass fragrance category, we are best-in-class. And this is one of the categories that Sarantis started its operation many, many years ago.

In the Home Care Solution is a different game, significant role of driver for us with a lot of investments over the last years. Sarantis has a leading position across the region, and we have a category growth obsession, because this category is underdeveloped compared to other household categories in the supermarket, in all channels.

Just to give you a perspective, penetration numbers are between 30% to 60%, while in other categories the penetration are reaching 80%, which means category has the room to grow. Sarantis has been a…how to say…and has to work on this category growth story via our brands and our megabrand approach that I am talking later at second point to maximize the core segments of the category.

At the same time, we're working in-store, because in-store is very critical to navigate consumers and increase the penetration. Superior quality also is important as we innovate in this category for superiority compared to the rest of the players in the market. And at the same time, working with communication to educate consumers about the use of the category and the solutions that we are providing. Private label is part of the category and private label has a role to play during the transition of our significant investments in supply chain over the last 2 to 3 years.

The fourth one is the strategic partnerships category, which is providing market leverage. In this part, we are focusing more on fewer and more long-term strategic partnerships. And in most of the cases, they are complementary to our own portfolio to drive synergies and add value.

The fifth one is, of course, acquisitions. They are complementary, they are building on top. Stella pack is on the way. We are still pending the local regulatory authorities' approval. And of course, we are exploring new acquisition opportunities in high growth strategic priorities, as I mentioned before.

A snapshot of how we perform the First Half of the year on this category you can see that we have a strong growth in the top priorities. In a Beauty, Skincare, I have to say we have a significant growth both in volume and value. And it's an almost 14% contribution to our sales. The Personal Care, more value growth and with a strong momentum.

In Homecare Solutions, value growth back-in-back because we have significant growth over the last 2 years. The Private Label business at the moment is all 6.8% of our business. As I said, it's mainly garbage bags in the Home Care Solution category and support supply chain recent and investments. And the strategic partnerships is a moderate growth, focusing on winning products and brand propositions. There are, of course, some like-for-like comparisons in terms of growth that we're doing better than we present here, as we…that we have stopped some cooperations with some of the partners this year. And this is the result, the overall 9.23% growth in the First Half of the year.

Now, I spoke about innovation before, and as you will see here some examples that we are very proud of regarding our innovation agenda over the year. Starting from the left, Clinéa is a new brand, is a new skincare brand, is a first-to-market sustainable, clean, refillable beauty brand in the pharma channel in Greece. This is a product that we have developed in our R&D center here in Athens, in Greece, and we're very proud about this launch. It's an international proposition with a lot of potential in our markets.

On the Skincare side again, Bioten is one of our biggest brands, a lot of meaningful innovation to recruit new users. Significant investment on the brand communication, and we have selected geographical expansion, and we have a very successful launch of the brand over the last 1.5 year in the Philippines and Southeast Asia, with great results and very promising results for the Skincare brand of Bioten.

Third one is another example of a core portfolio, of a Personal Care portfolio, STR8 is a mass-fragrance brand. We have launched a new brand, which is more about gamers. Gamers is a big community in our territory, and these initiatives is a very strong…has a very good appeal into the market. It's a new platform that we're launching to penetrate among younger generation, because this is also important to recruit younger consumers in our brands.

Now, going to the Home Care Solution category, we are the first one launching a new garbage bags, which is Flex&Strong, as we call it, with a new technology with 3 layers, made from a 100% recycled plastic, and this is giving extra strength to the product. It's first to market, and again, that means that we are innovating in these categories to create a difference and provide value to the consumers. And a fourth example, which is not only, because innovation is not only product, is around the perfect store execution, as we're talking about our Home Care Solutions category.

As I mentioned before, our objective is to drive the growth of the category by educating consumers and navigating consumers in-store, where the decisions are made to pick the right products. So, investing, touching with consumers, understanding the way they buy the categories, we are developing the stores in a way that consumers can get the navigation easier, and of course, make their life easier when they go in-store at the minimum possible time. So, this perfect store approach, we believe a lot, and we believe that this is a big driver for the growth of the category.

Now, going to geographies, and you will see a little bit different now as we are looking at our geographies in 8 different geographical clusters, which is Greece, international markets, Poland, Romania, Ukraine, Czech and Slovakia, West Balkans, Bulgaria, and Hungary. As you will see later, not every cluster is the same size, but each cluster has a unique role to play in our growth agenda.

One of the benefits of Sarantis is that we are creating solutions, tailor-made solutions, but with a regional scale. So, we can develop something for one country that can be scaled up to the rest of the countries. Speak to market, quick decision-making and agility. It is also important the way we look at the markets. Just to give you an example, these 8 markets are working directly with me and the leadership team. So, fast decision-making, quick decisions to get and capture all the opportunities from the market. And we have a cross-fertilization of knowledge and capabilities and innovation across the market, which is very critical to scale up all the benefits that we are seeing in one market to the others.

Now, as you will see, all the markets are growing apart from Greece, but Greece, if you see like-for-like excluding Wella business that we lost last year, even Greece is growing by 2.1%. All the graphs have a good growth. Some of them, growth is impressive. The size of these markets, of course, varies, but for us, it is important to understand that our strategy, our ideas, our ways of working, they are working across the market. This is a reconfirmation of our strategy, and that the strategy is working well.

Now, we concluded with growth. Let's move to the simplification and efficiency. And we say release value and energy in the organization. Here, we have 2 parts. One part is already in progress. And just to give you an update, we have optimized our portfolio, reducing the SKUs by 40% over the last 2 years. This has been an important element for us moving forward and now simplifying further the business because SKUs is the complexity that we are handling in our business.

That is helping us to stock management…to better stock management and cash release. And you will see some numbers later. We are very proud that the new Polipak plan is in full operation. And we believe we start seeing the benefits of that, because it's one of the biggest and more modern factories in garbage bags in Europe.

Innovation, as I said, I share with you a few examples. Innovation, fewer and bigger initiatives versus plenty and small initiatives. So, that's a big change. That is helping us to focus more on our big initiatives and invest behind winning propositions. And the last one, which is, I would say, it's not more in simplifications, it's a growth thing. We talk about revenue growth management initiatives by focusing on promotional optimization in the market.

And the HERO SKUs that you have heard maybe before. HERO SKUs are the winning SKUs in the market has been proven over the years that we invest more and more money to drive the growth because consumers love them already. And we know that. And give them the proper focus and investment to drive their growth further. We believe that out of this, we have, they have contributed to our growth in the First Half of the year.

Of course, we don't stop. And as we said, it's in progress. It means we continue the journey of the first 5 points and we are ready to start now in our more digital agenda. As we are starting a new project of integrated business planning including investments in systems and the new SAP version implementation that will start at the end of this year, beginning of next year the design, plus plenty of further digitalization projects that they are helping us to simplify and make the business even more efficient.

Organization capability is the last one, the last pillar of our strategy. It is, as I said, people is the most important asset of Sarantis. We need to embrace our…the "Spiky" as we call it capabilities to support the Business Plan for the next day and as we did develop the values and vision in the mission last year, embracing that one increasingly the awareness across the organization it is important.

Last year also, we have invested on an engagement survey to take the pulse of our people and understand where the engagement level and how we are working and how we need to move forward. We are organizing, we are developing organizational design in a way that promotes agility and fast decision-making as I said before. And this we believe is going to unleash the power of the front line. Front line means we are making the decision as close as possible to the market to the point closer to the issue or closer to the opportunity.

We are working on the investment of the capabilities of the development of tomorrow. And of course, all of this, we are believing that we are shifting our employees value proposition towards more meritocracy and diversity. I think this is the summary from our point of view.

I will pass over to Christos Varsos right now to continue with financial.

VARSOS C: Thank you, Gianni. We delivered solid First Half performance growing both top and bottom line and expanding our margins. Our net sales grew by 9.23% to €232.35 million supported by our focus in our core categories, revenue growth management actions and pricing initiatives at the end of the prior year.

Our EBITDA grew by 27.26% to €28.73 million supported by top line growth, gradual normalization of the raw material costs and control of expenses. Our EBIT grew to €21.68 million or 34.65% versus the same period in 2022. Finally, our earnings before tax grew by almost 60% to €23.47 million supported by better performance of financial expenses.

The same strong picture is reflected in our margins with gross profit margin improving by 190 basis points to 37.11% and similarly all margins are improving significantly. EBITDA by 175 basis points to 12.36%, EBIT margin by 175 basis points to 9.9% and earnings before tax by 319 basis points to 10.10%. As of 30th June, the Group maintained a net cash position of €5.17 million supported by the profitability but also by the improvement of working capital by 11 days versus half year 2022.

Moving to our full income statement, you can clearly see the growth across all lines. Focus on our core portfolio growing our high margin categories of Beauty Skin Sun Care and Personal care helped the mix of net sales while our ability to capture growth opportunities and pricing initiatives that we implemented in the Second Half of last year supported our net sales growth. This, together with the gradual normalization of raw material costs and inflationary pressures allowed gross profit margin to grow across our categories and geographical footprint.

In absolute terms, gross profit grew by 15.18% to more than €86 million, improving the gross profit margin by 192 bps versus prior year coming to 37.11%. The above and the control of expenses supported EBIT margin growth by 175 basis points, 9.29%. Except the strong operational performance depicted in EBIT line, we also achieved strong earnings before tax with a support of financial expenses which improved versus prior year mainly due to interest income or on deposit and FX. Earnings per share grew by 66.4% to 0.2866 euro versus 0.1722 in a comparable period.

Moving now to the performance in net sales and EBIT by BU split between 8 BUs that we will be reporting our performance from now on. We have the balance performance across the 8 BUs with all of them having significant growth both in top line and EBIT. In Greece, we've seen net sales reducing by 2.85%, to almost €75 million. The reason for the decrease is the termination of the partnership with Coty-Wella considering the mass distribution of the later cosmetics in Half Year 2022.

Without this impact on a like-for-like basis, the net sales in Greece would grow by 1.24%. At the same time, the EBIT and EBIT margins on a reported basis are reducing by 20% and 205 basis points respectively. These were affected by the launch of the new Clinéa brand which Giannis described in innovation in the Beauty Skin Sun Care category. Clinéa was launched towards the later part of the First Half with investment backing the launch whereas the revenues follow in the second part of the year.

On a like-for-like basis, excluding Clinéa and Wella, the EBIT would grow by 3.24% and the EBIT margin by plus 13 basis points. Beauty Skin Care, as already mentioned, is the highest margin category, key to our core strategy for the Group growth so investment in launching Clinéa is fully in line with our strategy. The effect of Clinéa is one of the kind in nature and gets normalized on the second part of the year with the net sales arriving without significant additional investment.

In terms of our categories, as already explained by Giannis, we will be reporting our performance in the following category, Beauty Skin and Sun, Personal Care, Home Care Solutions part of which is private label which however we report separately to support the understanding over the dynamics of the categories. Our strategic partners and lastly other sales. Again, we see balanced performance across our categories with strong growth in net sales and healthy margins with significant upside from prior year.

In Beauty Skincare and the EBIT and EBIT margins are again affected by the Clinéa launch, as showing the reduction. Excluding the Clinéa impact on a like-for-like basis, EBIT we grow by almost 21% and the EBIT margin by 62 basis points to more than 18% margin. As already mentioned, the Clinéa impact has a phasing effect and the second part of the year will be normalized.

Moving now to our balance sheet. We have a healthy balance sheet which provides firepower and flexibility to invest organically, to support the digital transformation of the Group and be able to fuel M&A activity. As of 30th of June, we had the stable financial position with net cash of €5.17 million. The net cash position was achieved even after making large payments in the first 6 months like the dividend of €10 million, buying out the 20% minority interest in Polipak for €5 million and repaying in full Polipak's external debt of €20.5 million. That position was fuelled on the one hand by the profitability but also by the improvement of operating working capital by 11 days year-on-year.

The strength of Group's balance sheet supports financing with better terms as we move forward. Finally, Stella Pack acquisition is on the way and will be completed by the end of the year. The acquisition will be funded by combination of cash and new debt which has already been arranged.

We enhanced shareholder value. In the first 6 months of the year, we paid dividends of €10 million, a 38% payout ratio to the full 2022 net profit. The earnings per share rose by 66.4% to 0.2866 Euro versus 0.1722 in prior year. We have a share buyback program in place. We cancelled treasury stock of more than 3 million shares on 1st of August which we have acquired in previous years' buybacks.

Moving now to our anticipation for the full year result. Given our strong results in the First Half of the year, we would like to provide new guidance for the full year 2023. Net sales will be in line with the initial guidance we have provided earlier this year of €480 million which represents 7.8% versus 2022.

Our new EBIT guidance estimates that organic EBIT will grow by 7.5% versus our previous guidance to €43 million versus

€40 million initially guided. This represents a 33.37% growth versus 2022 EBIT. Actually, with the €33 million EBIT we are projected, we are managing organically to come back very close to our 2021 full year results.

In terms of margins, the EBIT margin for the full year will be 8.9%, an increase of 60 basis points versus the 8.3% of the initial guidance. The 8.9% reflects an improvement of 166 basis points versus 2022 full year EBIT margin.

I would like now to pass it back to the operator to open the floor for your questions. Thank you.

Q&A

OPERATOR: The first question is from the line of Svyriadi Natalia with Eurobank Equities. Please go ahead.

SVYRIADI N: Yes, good afternoon. Thank you for taking my questions. I hope you can hear me. I have a question regarding the digitization projects you mentioned earlier. If you have a CAPEX forecast on these, and if you have any inputs as if you will…any of these will be financed through the RRF funding or you're thinking some things, all the projects as said in investments and digitalization?

And I also have a question regarding a guidance you gave us for the €43 million in EBIT. That, actually, implies that in H2 we will see similar EBIT levels and usually we see a higher H2. So, I was wondering if this is just…if you have any insights on this and then decelerating growth rate and running rates. Do you actually see decelerating growth rates or not? Thank you for this.

VARSOS C: Okay. So, thank you Natalia. Regarding the CAPEX of the…we have the infrastructure plus digitization. So, it's 2 elements. And we expect that over the next 3 years for both supply chain infrastructure project and digitization, we utilize CAPEX -except the normal CAPEX- of €35 million over 3 years. This will be funded by cash and debt and actually we are looking towards a specific RRF as you mentioned. We are in the discussion to see also RRF funding especially for the digital part and for the green part of the infrastructure element.

SVYRIADI N: That sounds really…

BOURAS G: Okay, regarding the…hi, Natalia. Regarding the H2 and the EBITDA margin, it is true that the First Half of the year has been impacted positively in terms of margin because we have… there are 2 things. One thing is that the pricing that we took at the beginning of the year and last year has a more…a bigger cumulative effect for the First Half. This is the #1, and #2 is that the Second Half of the year, what we'd see…we'd see more intensive competition because, as Christos mentioned, we have the normalization of raw material prices across categories. That is making the competition more intensive and in some categories, there are some volume pressures. So, that one is resulting a different balance between the EBIT margin from First Half to Second Half.

VARSOS C: We also anticipate an impact from the inflationary pressures coming mainly from employees' cost as we are doing pay rises in May. So, now we'll be citing a full second part of the year with this in mind. Hope this answers your questions in full.

SVYRIADI N: Yes, that was very clear. Do you have a sustainable level of EBIT margin, if I may, like looking ahead like 8% to 9%? Would that sound reasonable to you and your…based on what you're changing you know, on your SKU changes and everything you're doing in the model?

BOURAS G: You see that this year, as you saw with our new guidance, this is a year clean from acquisition. So, it is clearly the organic growth. So, yes, closer to what we guided for the Full Year will be the base moving forward and our plan is to improve this as we move ahead with our different initiatives on the cost as well.

SVYRIADI N: Okay, very good. Have a good start. Thank you very much for taking my questions.

BOURAS G: Thanks a lot.

OPERATOR: The next question is from the line of Giannoulis Dimitris with Research Greece. Please go ahead.

GIANNOULIS D: Yes. Hi, and thank you for the presentation. First of all, I would like to thank Mr. Rozakeas for what seems to be 20 years of interaction that we had. And I wish to wish the new Management all the best. And now moving on to a couple of questions, following up from the last question about the

Second Half. Is it fair to say that you're budgeting for a lower gross margin compared to the First Half of the year? #2, wondering what's the €1.4 million interest income you booked in the First Half because against your cash position seems -to me at least- quite a big rate? And the last one about the parent cash flow statement wondering what is €34 million of acquisition money is about, if you could explain? Thank you.

VARSOS C: Can you repeat your last one, current €34 million of acquisition, what do you mean?

GIANNOULIS D: Yes, in the company's cash flow statement, the parent level?

VARSOS C: Yes.

GIANNOULIS D: There is a €34 million outflow for acquisitions, the cash flow statement, if I'm not mistaken.

VARSOS C: Okay. I don't see the €34 million but anyway, okay. We can take this separately, if you want. Now…

BOURAS G: The margin…we see regarding the percentage margin of the second half of the year, as I said, this is resulting some pressure from the market, what we talked about the previous question about the EBIT margin. At the end of the day, the pressure is in gross margin, because when you compete higher in the market, right? So, we see that pressure there…slight pressure that we are resulting the overall margin for the full year at similar level with H1 or a bit lower, right? So that's the guidance we have today anticipating the intensive competition coming for the Second Half of the year. And of course, the normalization of the price increases that we did, right? So, this is regarding the margin.

VARSOS C: Now, for the net income that we described the €1.4 million of interest income, this comes from our deposits in Poland and Serbia. So, it is on high…let's say higher than normalized euro interest income. So, you have significant rates variation, and the time deposits actually produce a large…amount that it is taking.

Now on the cash flow element, what you're describing the €34 million of the company, most likely you're talking about the investment in Polipak by buying the minority and repaying the investments and repaying the debts of Polipak which happened by doing from the parent company's share capital increase which we funded in Poland.

GIANNOULIS D: Okay. Thank you.

OPERATOR: We have a follow-up question from Mrs. Svyriadi Natalia with Eurobank Equities. Please go ahead.

SVYRIADI N: Yes, I have a follow-up question regarding if you could share with us how Greece is doing in terms of volumes and in the current trading condition like re-sales. I mean because in H2 we don't have this extraordinary of Wella discontinuation. So how are we seeing this currently?

BOURAS G: Look, regarding Greece, especially Greece is one of our most complex markets with a lot of different categories and a lot of different brands. What we're expecting the Second Half of the year, Greece will keep growing organically. We have the impact of the First Half as we said with Wella. Market conditions in Greece, they are better than we were expecting, and we were expecting at the beginning of the year. And the good thing for us is also that in our core categories, we are winning shares.

There are although some categories in Greece, that there has to do with specific channels like B2B channel or some healthcare channel, which is in pharma, but the categories are facing an issue from a volume point of view, because of the post-COVID effect, because these…some of the categories has been increased significantly during COVID, more than 60%, 70% and now normalizing to a different level. So, it's a bit complex to explain to you. We need to go category-by-category to explain. The good thing for us is that in Greece in our core categories we are growing significantly versus last year and we're expecting that to continue.

SVYRIADI N: Okay. Thank you very much for that.

VARSOS C: Operator, I think we have some questions on the Q&A from the webex as well.

OPERATOR: Thank you. We will move on to the webcast questions. The first question is from Mr. Emmanuel Ribeiro de Figueiredo with LBV Asset Management. And I quote, assuming the acquisition of Stella Pack is done, could you give an estimate on range of the net debt position at year end? Thank you.

VARSOS C: Thank you very much for the question. Yes, we're working towards Stella acquisition as we already mentioned. The actual acquisition…I have mentioned will be partially funded by existing cash and debt. After the acquisition of Stella Pack, we expect that net debt will be around €35 million…net debt €35 million.

OPERATOR: Thank you. The next webcast question is from Shipra Agarwal with Goldman Sachs Asset Management. And I quote, can you give an update at the approval of Stella Pack?

BOURAS G: On Stella Pack, we don't…we are expecting the approval from the committee. We're still waiting. We don't have any worries about that. It's a matter of the process. It's true that the process has been a little bit slow, but we're expecting that concluded by the end of this calendar year.

OPERATOR: We have another question from Shipra Agarwal with Goldman Sachs Asset Management. And I quote…I'm sorry, this was withdrawn. We also have a question from Thibaut Maissin with Gay-Lussac Gestion and I quote. Regarding Stella Pack, I know everything is not under your control but it's been almost 1.5 years since you announced the acquisition. Could you please provide more details on the expected timing of the synergies, which were expected to start this year? Thank you.

BOURAS G: As I said before, I mean, the update is what I said that we're expecting the final approval. We know that Stella Pack is adding another €70 million to €75 million on the top line. We know that from EBITDA point of view is around €8 million. And where we have calculated the synergies at €3.5 million at the range in 2 years' time. So, these are the numbers. And as I said, we just…it's a matter of time. It's a matter of the process. It's true. It's a 1.5 year, and we have to, we cannot do anything more than that. We don't have any reason to believe that something is not working, but it's a matter of time. This is what we have. And we know until today.

OPERATOR: We also have a question from Moritz Walz with Discover Capital. And I quote, what is currently the biggest challenge for you? Thanks.

BOURAS G: I don't know whether this is a big challenge. It depends on the category, on the different parts of the business. I think, as I said, working with our people, we try to make even the bigger challenges manageable from ourselves. And I think, at the end of the day, even the biggest challenge if you have an action plan, is not a…it's not a big challenge anymore. Things that we cannot control can be the biggest challenges for us, right? Whether we have something unexpected, whether we have something that disrupt the markets that we operate, like we had a year ago with the war in Ukraine. These are the things that we cannot control that sometimes can be the biggest challenges for our team. Nothing more than that.

OPERATOR: We also have a question from Stelios Morfidis from Proto Thema NewMoney. Where are you exploring new acquisition opportunities? Are we going to see an acquisition moves in Half 2? Thank you.

BOURAS G: At this moment in time, we are focusing on our current organic growth agenda, plus the Stella acquisition that is upcoming.

Other than that, nothing but we are always open, but nothing robust in our hands right now.

OPERATOR: A new webcast question just came in from Shipra Agarwal with Goldman Sachs Asset Management. Can you…and I quote, can you please give an update on M&A pipeline and any new potential distribution agreements?

BOURAS G: As I said, on the M&A side, there is nothing we can say apart from Stella. All the new distribution agreements, nothing there as well. As I said, we are working on fewer and bigger and more strategic partnerships, and this is what we are focusing right now. So, we're working with our current partners to develop the business and their brands together with them.

Nothing from our side apart from thank you all for participating in our call. Thank you for the questions. Thank you for listening. And now we're always open for any further clarifications or any questions. So, our team is at your disposal. Eleni here is ready to accept any requests.

So, and also from my side, as a closure I would like to thank Kostas for 2 things. First of all, helping Sarantis to become one of the most successful regional businesses in our sector in the region, and of course helping us…me personally and Christos and everybody, for this beautiful and nice transition. Thank you, Kosta.

ROZAKEAS K: Thank you, Giannis for your kind words. Thank you very much, and all my best for the future to you and to the company.

BOURAS G: Thank you Kostas.

VARSOS C: Thank you.