# Pepco group

# Q3 Trading Update

# 9th July 2026

Transcript

**Stephan Borchert (Group CEO):**

Good morning everyone and thank you for joining our Q3 FY26 conference call. I will first run through a few highlights from our Q3 performance followed by some comments on our strategic positioning as a now pure-play Pepco business before handing over to Willem who will run you through the specifics surrounding the sale of Dealz and the resulting strengthened financial profile of the Group, as well as our Q3 trading in more detail. Let me first highlight that, unless otherwise stated, all the figures throughout this presentation exclude Dealz and the LFLs shown are excluding FMCG. With that, let's turn now to slide 3.

We delivered strong revenue growth in Q3, up 8.5% to €1.1 billion and LFL revenue growth of 5.4%. After a trickier start in April, we returned to accelerated momentum in May and June. This performance was driven by very solid performance in North and South CEE which both delivered +3.6% LFL revenue growth, as well as strong growth in Western Europe where we continue to see an exceptional response to our customer value proposition following the exit of FMCG. In Q3, Western Europe delivered LFL revenue growth of 15.0%, reinforcing our conviction to accelerate our rollout in the region from FY27. On a two-year basis Q3 LFL revenue was up by approximately 10.2%. In addition, we announced the agreed sale of Dealz on 3 June. This completes our exit of FMCG and our goal of becoming a simplified and streamlined Group, focused solely on Pepco. I will touch on this more in the following slides. And lastly, as previously announced, we plan to launch an up to €400m tender buy back which we remain on track to complete before the end of this financial year. We will have more news on this in due course. Turning now to slide 4….

I wanted to take a moment to really highlight the strategic milestones we've hit over the past 12-18 months in our efforts to simplify the Group and turn around our performance. We've been clear on our intention to exit FMCG since the Capital Markets Day in March 2025. This started with the Iberian Pepco Plus conversions in March to August last year, we completed the sale of Poundland in June last year which was a pivotal milestone for the growth trajectory of the Group and, last month, we announced the agreed sale of Dealz. As a result, we have now completed our goal of becoming a pure-play Pepco business focused on one highly scalable brand and efficient format with a compelling customer value proposition, strong business momentum, a strengthened financial profile and a focus on delivering sustainable and profitable growth as well as enhanced shareholder returns.

Onto slide 5. Let me briefly remind you of the strongholds of a pure-play Pepco company. Firstly, we operate our Pepco stores on very strong economics. We have a standardised format across our geographies and can open new stores in a very efficient way. These stores pay back quickly, generating high returns and significant cash which is more than sufficient to both reinvest in accelerated growth and enable sector-leading returns for our shareholders. You've seen this through our completed share buyback programme, the announced €400m tender buyback and our commitment to increase our regular dividend payout ratio over time to c.40%. In summary, with our transformation efforts of the past 12-18 months, we have now created a self-funding and profitable growth engine.

Lastly on slide 6, before I hand over to Willem, I would just like to recap on our strategy for growth as outlined in our March 2025 CMD. Pillar 1 is now complete. Our overall strategy remains unchanged, but we are now able to accelerate from a strengthened platform and drive continued strong growth for the Group. We are focused on topline growth through measured expansion in CEE, our accelerated rollout to ensure we win in Western Europe, digitising and enhancing our customer proposition, as well as upgrading our core operating platform which underpins the success of all our other pillars. Continued execution in line with our strategy ensures we are well positioned for growth going forward. With that, Willem over to you…

**Willem Eelman (Group CFO):**

Good morning everyone and thank you for joining our call. I will talk you through our Q3 trading shortly but let me first spend a few moments on the Dealz exit. Turning to slide 8…

Hopefully you will have all seen our announcement on 3 June but let me cover the key elements of the deal now as a quick reminder. We have agreed the sale of 100% of Dealz shares to Modella Capital, a specialist European retail investor, for a nominal consideration of PLN 1. This was subject to customary anti-trust approval which has now been received by Modella and completion is expected imminently. We will provide a further announcement when appropriate. As part of the transaction, we have provided an 18-month asset backed vendor facility of up to £20m and, importantly, we retain the right to 35% of the proceeds on any future sale, providing potential upside further down the line. The sale of Dealz provides many benefits to Pepco, as Stephan touched on earlier. It not only completes our exit of lower-margin FMCG products, it increases our focus on our core Pepco business, drives enhanced profitability and returns on capital and it improves our cash generation. Turning now to slide 9 which shows this more clearly….

Here you can see the comparative financial performance of both Pepco and Dealz and it is clear to see why we are in a stronger position following the sale. In H1 FY26, Pepco generated strong LFL growth of +4.6% vs the negative 8.3% LFL growth of Dealz and the gross margin of Pepco was almost double that of Dealz. In addition, the absolute EBITDA generated by Dealz was negligible, impeding the profit growth of the Group. There will be some impact to revenue following the exit as Dealz generated around 7% of Group revenue but the material improvement to Group profitability and overall financial performance is more than apparent. In the Q3 release which we disclosed this morning, we included detailed financial statements for H1 on a pre- and post Dealz inclusion basis, to allow you to properly understand and model the shape of Pepco going forward. This data is for H1 as we appreciate that many of you want to understand the impact on Half year FY26 and FY25 to assist you in modelling Pepco going forward. For this purpose, we have also provided updated guidance for FY26 for Pepco, but more on that later. Let me turn now to our trading performance in Q3.

To be clear, what we are showing here is the trading performance of **<u>Pepco only</u>**. And, as at the HY results, we are showing performance in our new geographic splits; North, South and West Europe. You can see the countries which make up each region in the footnote at the bottom of the slide. In Q3 we delivered revenue growth of 8.5% driven both by our new store opening programme and strong LFL growth (excluding FMCG) of 5.4% in the quarter. This is driven by 15% LFL growth in Western Europe, further validating our plans to accelerate store openings in the region from FY27 and 3.6% growth in both North and South CEE, a solid performance from both regions. We no longer report it as a standalone segment but for clarity, Poland continued to deliver positive LFL growth of +2.2% in Q3.
Our LFL performance was supported by improved availability, continued focus on our price leadership position, greater full-price contribution, as well as favourable warmer weather in May & June, after tricker conditions through April in which we also were negatively impacted by the timing of Easter (which benefitted March this year). Across the first 9 months of FY26 we delivered LFL revenue growth of 4.9% and absolute revenue growth of 6.4%. As we have mentioned previously, our reported growth was materially impacted by the exit from FMCG and you should expect our revenue growth in Q3 and Q4 to

accelerate vs Q1 and Q2 as we lap prior year periods with significantly lower levels of FMCG contribution. For Q3 this is already noticeably visible. Turning now to slide 11 where this is highlighted….

I wanted to take a moment to focus on the trajectory of reported vs excluding FMCG LFLs. In the chart on the right, it is clear to see these metrics converging as the prior year FMCG contribution reduces through the year. But to the higher levels as we previously indicated. In Q3, there is just a 1.2 percentage point gap between both metrics and going into Q4, there is negligible prior year FMCG contribution so you should expect these numbers to converge even further. As we already disclosed in our H1 results last May, we continue to see stores that have lapped the FMCG exit in Iberia performing strongly. As we move into FY27, we will no longer report two LFL metrics as they will be one and the same.

Onto slide 12…As I mentioned earlier, the Group is in a much stronger gross margin position following the exit of Dealz and the exit from FMCG in Iberia. In the chart on the right, you can see our pro-forma margin progression which for 9M FY26 was up 360bps vs H1 FY25. This is driven in part by the product margin as we have replaced low margin FMCG sales with higher margin clothing and GM sales (i.e. mix) but furthermore supported by continued FX tailwinds as well as efficiencies within our sourcing. Let me now finish with our revised guidance on slide 13 before I hand back to Stephan to conclude.

Here you can see a breakdown of our previous FY26 guidance in the grey box on the left and now our new, restated guidance for the Group excluding Dealz in the pink box on the right, along with the revised pro forma FY25 base in € for the key financial metrics such as Revenue, EBITDA and PAT. This clearly underscores the strong financial performance of Pepco. Crucially, this is not just a guidance restatement as we have upgraded the guidance for several of these metrics, such as gross margin and EBITDA, following the strong performance of Pepco year to date. Our revenue growth guidance remains the same at 6-8%. As already indicated we expect to generate accelerated revenue growth in H2, as already visible in our Q3 constant currency revenue growth of 8.5%. This is a clear acceleration compared to H1, where constant currency revenue growth stood at 5.5%. We now expect gross margin for FY26 to be c.51% and to deliver mid-teens EBITDA growth, up from the previous low-teens guidance. Our PAT growth will be above 50% but from a higher base of €234m excluding Dealz and our unlevered FCF is expected to be c.€300m vs the previous €250m. Our net new stores guidance remains the same at 250. We will be updating our mid-term guidance and guidance for FY27 at our FY26 results in December. With that, let me hand back to Stephan.

**Stephan Borchert (Group CEO)**

Thanks Willem. Let me now quickly summarise on slide 15 before we open up to your questions.

I won't cover these points in detail as I think we have covered them sufficiently throughout the presentation. Instead, I want to focus on the strong execution the team have demonstrated, transforming the Group from a multi-brand, disjointed proposition to a simplified business with a clear growth trajectory and significantly improved financial position, all of which has been achieved in a very short time period. As we move forward as a pure-play Pepco, I am hugely excited by our growth prospects. We have achieved a lot already but there is more ahead as we continue our disciplined expansion in both new and existing geographies. We remain strongly focused on delivering sustainable, profitable growth and, of course, on providing enhanced returns to our shareholders. So, with that, let me now hand over to your questions. Thank you.

**Operator:**

Thank you very much, Mr. Borchert. Ladies and gentlemen, once again, if you like to ask an audio question, please press star one on your telephone keypad. Our first question this morning we're coming from Michael Jacks of Bank of America. Please go ahead. Your line is open.

**Michael Jacks (BAML):**

Hi, good morning, Stephan, Willem. Congrats on a strong quarter and thank you for the presentation. My questions relate mainly to sourcing. Firstly, could you please give us a sense for where shipping contracts settled in percentage terms year over year? That's my first question. Second question, could you please elaborate some more on the sourcing tailwind, specifically on the relative contributions from favourable trading terms in China versus structural improvements that you've made to your sourcing operation? And my final question, are there any seasonal factors in Q4 that typically weigh on gross margin relative to Q3? Thank you.

**Stephan Borchert (Group CEO):**

Yeah, sorry. Thank you very much for your great questions. Look, we have not disclosed the shipping percentage, but what I think I can very comfortably say here today is the following. So first of all, yes, I think we are not the only ones stating that the situation in China is quite difficult, but interesting at the same time. So suppliers do have lots of spare capacity and I think we continue to see on the one hand opportunities in sourcing and our gross profit margin expansion to an extent also based on sourcing efficiencies that we continue to increase. However, going forward, it will be seen which strategic role China has and can play in that respect. So we are continuously looking at a balanced sourcing portfolio for us, particularly for the general merchandise categories. But overall, we are very comfortable actually with the sourcing situation in terms of intake margin from the China market situation.

Shipping, as you know, we do have quite long-term contracts. Again, cannot disclose the number, but we are very, very pleased with our closed contract for next year. So we are contracted for next year. And again, without disclosing the details here, but we feel we have achieved a very favourable solution here. Maybe on the margins...

**Willem Eelman (Group CFO):**

Yeah, so for me, you also asked on the gross margin delivery quarter four over quarter three. We have guided on a gross margin around 51% and I want to be very clear and upfront about that. That's as you are used from us slightly prudent. Around can also mean above. I just want to clarify that upfront because I think it's a key metric. Where we are, we are very happy with our gross margin momentum at this point in time. We've been assisted by stock freshness in our stores, which are at historically very high levels as we indicated already in the H1 results presentation. That trend continued. We've seen excellent sell through in June and May, which helped us continue this very favourable trend on stock freshness. Intake margins are well-managed and under control, reflecting the trends that Stefan has already highlighted just before. So we are quite confident on our gross margin delivery trajectory.

In particular also as we are cementing a number of the key inputs as Stephan just hinted on shipping, we are cementing our favourable rates in a new contract, which was a significant step down from historically higher rates. So momentum is sustained. We're having good results on our Forex hedging. Again, well into 2027. We see X works price in China and other key supplier markets also holding and being favourable to us. So we are confident on gross margin at this point in time for the remainder of the year as we highlighted in our guidance. So that's gross margin. So as seasonal factors, I wouldn't overplay them, but I also would not encourage you to just simply extrapolate we guide on around 51%. It's prudent. There may be some upside, but the key metric for you to focus on is the mid-teens EBITDA growth where we are clearly committing to that number.

**Michael Jacks (BAML):**

Thank you.

**Operator:**

Thank you so much, sir. Now go to Matt Clements of Barclays. Please go ahead.

**Matt Clements (Barclays):**

Yeah, good morning both. Thank you for taking the questions. Two, if I can, the first is on Western Europe. The brand and the office seems to be resonating very well, particularly in Spain and Italy, obviously. Can you give a bit of colour about who you're taking share from and how your stores are performing when there's overlap with some of the larger integrated banners like Primarks, SBs, action? That's question number one. The second question would be on digital. It's been two months since we last heard from you. You obviously had very encouraging early performance in Poland with the app. How has scale and engagement evolved in Poland and when will we see the rollout into other markets begin? Thank you.

**Stephan Borchert (Group CEO):**

Thank you, Matt. Great questions. Let me go to Western Europe first. So you asked on overlap. So look, first of all, I think one thing is very clear. Our value proposition really resonates extremely well. I think above our expectations really with the Western European consumers. And this is really across the board in both categories. As you know, we operate in two main categories. So it's really an apparel and in general merchandise where we see those strong performances and the strong acceptance of consumers. The overlap is not of concern really for us. As you know, we operate in many areas. We have three segments in those markets. We at the moment do not have any issue really on that. We do measure cannibalization in CE markets particularly, but that is not of a big concern for us. Also because we are, as you know, able to operate in much smaller cashment areas.

And that is where the focus for us lies really. And you won't find larger boxes, particularly the integrated players in those areas. So very, very, very, very pleased with us the year of going forward.

Digital, yeah, we haven't disclosed numbers this time. We will talk about this in more detail in December, but I can reassure you we continue to scale up and we particularly continue to see stronger engagement levels. So the share of sale that goes through the app and either the swipe or the coupons is continuously and strongly increasing and is above benchmark at the moment. So we are very pleased with that, but we will discuss that a bit more in detail in December. And we are planning a rollout. We haven't guided which country yet, but we definitely will accelerate our rollout of the systems into countries where competitive pressure is high. So you can imagine it's the adjacent markets, could be Czech Republic, could be others. But we wanted to give ourselves the time for the proof of concept in Poland, setting up further commercial infrastructure around that, refine some of the technologies.

Remember we've just launched it really. And once that's all done, we will accelerate rollout because it's a super scalable, very modern digital infrastructure, which enables us to do that fast.

**Matt Clements (Barclays):**

Very clear. Thank you.

**Stephan Borchert (Group CEO)**:

You're welcome.

**Operator:**

Thank you so much, sir. Ladies and gentlemen, as a reminder, if you have any audio questions or follow-up questions, please press star one on the phone keypad. We'll now go to Michael Potyra of UBS. Please go ahead, sir.

**Michael Potyra (UBS):**

Hi, good morning. And congrats on the strong numbers. I have two follow-up questions please. So the first one continuing on Western Europe, if you could maybe provide some colour on the EBITDA level profitability in Western Europe and the gap to CE, and do you believe you can close that gap? So that's the first question. And a second, a very general question, but maybe you could comment a little bit on the consumer health and demand trends across your key markets. Thank you.

**Willem Eelman (Group CFO):**

Okay, Michael, let me start with the first question in Western Europe. Clearly, Western Europe has a lot of potential as we still have infrastructure which is not commensurate with the forward-looking revenue potential that we've seen at market. I clearly allude to the distribution network that we already, for Iberia, explained we opened Guadalajara about now a year and a half ago that has helped us bring distribution costs down, but it's operating still below full scale. Therefore, there's more margin potential, EBITDA margin potential in Spain as we start to see fixed cost attrition and benefits from scale. The same in Italy where we continue to ship products from CE into Italy. And you can imagine that is not the most efficient way to serve a big market where we have significant expansion plans. We disclosed in the half year that we are very confident on our EBITDA progression in Western Europe.

We provided, I think, some information in the slides. There is still a gap, but it's closing. And with all the actions and scale advantages that we foresee in Western Europe building up over the coming years as we accelerate, we expect Western Europe to be at group levels from a financial contribution point of view. Yeah,

**Stephan Borchert (Group CEO)**:

I'll take up the second one, Michael, on the consumer. And maybe just to add to what Williem said, we've discussed in the last call geographic expansion and clearly said we want to focus on the existing markets because the operating leverage potential is so much higher with a now liberated, highly simplified structure at scale. And that is why we are confident on the EBITDA development invest in Europe. On the consumer, yeah, it's a mixed bag. I mean, on the macros, we see obviously positive developments or inflation coming down or stabilising. We believe here at Pepco that the disposable income that is available for retail is still much there, but consumers seem to become the sentiment numbers are negative. They are difficult and it varies. CE is a bit better than certain parts of Western Europe, particularly Germany and France. But overall, it really only says that two things.

One is there is still a wallet to gain for retailers, from consumers. But consumers become and have become after so many years of distress, if you want, they have become more selective, extremely selective. So they're looking for real values, they're looking for honesty and truth in the product offering, whether that is quality, whether that is price, pricing strategy. And we feel perfectly positioned in this. So we see more customers coming to us, we see volumes growing, but we also see AOP growing in certain categories. And this shows us that we are able to attract a maybe lower mid-class segment that is trading down to us as well. So therefore I think going forward, we are, as Pepco at least, quite confident with the consumer sentiment here in Europe for us. I hope that did answer your question.

**Michael Potyra (UBS):**

Thank you. Thank you for that. Maybe if I may have one follow-up question on competition. So we have seen those three euro surcharges implemented for cross-border online trade in Europe, mostly coming from Chinese competitors. And we have seen actually players like Temu adding that additional fee at the checkout. Are you expecting any kind of incremental increase in the demand in your stores on the back of this or it wasn't that disruptive to you so far? Thank you.

**Stephan Borchert (Group CEO)**:

Yeah, I think no. Look, I think we had this question on the other side before several times. Do we see massive negative impact? We haven't really seen it before. We know there is overlap in our customer shopping behaviour, particularly with Temu. Less (inaudible), but it hasn't really had a negative impact on visiting frequency and basket of those customers who also buy there. So now in reverse, that doesn't affect us either so much. I think we do really follow, whether it is Action or Temu or others, we are following a very different shopping journey and a very different value proposition. We say very curated, to a large extent, not so discretionary assortment and product offer at really, really, really price leading levels. And I think therefore we are not so impacted, but of course we are looking at it very, very closely.

And those are very large players. And one is of course passing this on to customers. I don't think that serves them well to do so, but we of course know that also in the background there is a lot of dynamics around setting up local seller models, local distribution models and so on. So we are continuously watching it and seeing what is happening there. But frankly, we neither have had a negative, strong negative in fact, nor do we probably have now a positive impact on that.

**Michael Potyra (UBS):**

That is clear. Thank you.

**Stephan Borchert (Group CEO)**:

Super. Thank you.

**Operator:**

Thank you very much, Michael. As we have no further audio questions at this time, Tilly, I'm going to hand the call over to you for any questions submitted through webcast. Thank you.

**Moderator:**

Thanks. So we've got some questions from the webcast. First question from Harry at Vergent AM. How much is the impact on FX on margins? Do you see any pressure to margins in FY27 from FX? And what is the longer term ceiling on GPM?

**Willem Eelman (Group CFO):**

I have to disappoint you, Harry, here. We're not going to give any guidance on fiscal 27 and long-term guidance, which we will provide to the markets in December. I have to be firm on that. Look, Forex has been a tailwind as we explained through the year. So end of last year and half year, we were very clear about Forex, but it's one of many factors. And so we comment on that. We have supply chain efficiencies. We have fixed cost distribution benefits. We have ex-factory prices that were very favourable in local currency as well. And so there's a whole spring of measures that we've taken which have helped us sustain this very strong gross margin performance. We're now focusing on closing the year and we will be providing you with more details on fiscal 27 and beyond in December. So I know it doesn't answer your question, but this is what I can share with you.

**Moderator:**

Thank you. Next question is from Jacob at AZT. What does the current purchasing procurement process at Dealz look like and does Pepco support the company in this regard?

**Willem Eelman (Group CFO):**

Okay. I will take that well. We already had prepared Dealz to be virtually fully standalone in the run-up to the decision to separate ourselves from Dealz. So Dealz as minimal relationship, ongoing relationships with Pepco going forward. There are a few small items that have been taken care of in a TSA with a limited duration, but for all practical purposes, Modela has been given a fully functioning self-standing company and they can hit the ground running.

**Moderator:**

Thank you. Another one from Jacob is are further write-downs planned in connection with the sale of Dealz? If so, in what amounts?

**Willem Eelman (Group CFO):**

We disclose... Let me think. First of all, Dealz will be was an asset held for sale in our half-year accounts. We will now deconsolidate Dealz post the completion of the transaction, which is imminent. As a result, there will be a modest negative impact in the accounts of 22 million, which will be reflected in our full-year accounts as an impact on discontinued operation. And it clearly also will impact our net equity position at year-end. But it's a minor amount in the relationship of our total balance sheet and the performance of Pepco, which by far outweighs this negative 20 million charge. I want to stress as well that the only ongoing support we will be providing to Dealz, as I explained in my speech, is a £20 million working capital facility which will be asset-backed and therefore will be held at full value in our accounts.

**Moderator:**

Thank you. Another one from Jakub. Sorry, the first one from Jakub, NNPTE. What is the total exposure to Dealz and pound land, including inventories, loans, et cetera?

**Willem Eelman (Group CFO):**

Oh, I just answered the first one on Dealz. The ongoing exposure is limited to the £20 million working capital facility of which zero has been drawn and it will be asset-backed. So in that sense, we have an asset-backed facility there. With Poundland, we as again disclosed in the past, we have a working capital facility up to £30 million , which runs until mid-August 2027. And if and when there is news to report that, we will do that. But at this point in time, we have been occasionally and time to time be providing a support under the working capital facility, which Poundland has been paying back regularly as well. So no major exposure there at this point in time.

**Moderator:**

Thank you. Next one is from Volodymyr at Kepler Cheuvreux. In your 5.4% like-for-like sales growth in Q3, what was the split between price mix and volume effect?

**Willem Eelman (Group CFO):**

I understand the interest in this breakdown, but we've never provided that and we'll also not do that at this point in time. It's a healthy balance. It varies from quarter to quarter reflecting in competitive intensity pricing and other mechanism that we use as a retailer to drive optimal sales through our network. So it's a mix, so rightly commented. It's a mix between price, mix and volume. The one thing I can say is that with regards to mix, we've had some positive mix upgrades in our portfolio as a particular number as our efforts to upgrade our assortment have resonated with buyers, but still it's a very healthy mix between volume, mix and price.

**Stephan Borchert (Group CEO)**:

Probably important to state here because, we have a very, very clear commitment to our everyday low price strategy. So the one thing we can say is there is no ticket price increases really influencing our like for likes overall. As Willem alluded on, we see an interesting, not materially, but slight development in AOPs up. So that shows us clearly there is a trading down from middle class into our organisation with value proposition with some higher priced products. So therefore a very healthy mix to reconfirm of a volume and of AOP.

**Willem Eelman (Group CFO):**

Very good question, Volodymyr. I hope that we did answer it to you, but where we have price, it's mostly mix. We do not increase ticket prices and that it's very visible if you visit our stores in countries over a long period of time. And we are really committed to our value proposition to our customers.

**Moderator:**

Thank you. I think we might have another question from the conference call, so I'll hand back over to George.

**Operator:**

Thank you, Tilly. Yes, we do have a follow-up question. It is coming from Michael Potyra of UBS. Please go ahead, Michael.

**Michael Potyra (UBS):**

Hi. Hi, thanks for taking my question. It's really on the buyback because once the buyback is completed, the company's equity position will become negative. And I'm just wondering a few comments, are there any practical constraints this could create with respect to financing debt covenants or perhaps future capital returns to shareholders? Thank you.

**Willem Eelman (Group CFO):**

Michael, thank you very much for this question. I know it's bouncing in the background and thanks for making it transparent. The negative consolidated equity is all the result of the historical journey with Poundland. It doesn't say anything about the inherent and underlying strength of our Pepco proposition, which is extremely strong, but it's just an accounting reflection of historical goodwill that we had to write off as we exited both Poundland and Dealz. Our banking covenants do not have a reference to equity. They're all built on normal debt metrics, where we are very, very solidly on the safe side of any of the metrics that one can look at. And we have not been receiving any indication of concern by any of our banks on this accounting metric. With regards to constraints on further distributions to shareholders, this is not a constraint as we have ample funding and equity at the top level of the company, which is the technical constraint under Dutch governance.

So therefore there is no issue and we're projecting equity to rise significantly on the back of both our quarter four performance and the guidance for next year, which we'll be providing in December. And so this is for now a temporary situation, but all our debt metrics are extremely strong. And also the rating agencies which we have been in contact understand the true and underlying economics of our business model.

I hope, Michael, that answers your question.

**Michael Potyra (UBS):**

It does. Thank you.

**Operator:**

Thank you very much, Michael. As we have no further questions, Mr. Borchert, I'd turn the call back over to you for any additional closing remarks. Thank you.

**Stephan Borchert (Group CEO)**:

Yeah, make it short. So thank you very much for calling in. Thank you very much for interest and your continued support. It's been a pleasure talking to you today on another very, very good and for us pleasant Q3 results. Looking forward to discuss with you full year results and guidance matters in December. And for now, wish you a good day. Thank you very much.