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Transcript

2022 First-Half Results Conference Call

Operator

Hello gentlemen and welcome to the presentation of the first-half 2022 results for the Chargeurs group. You may only listen during the conference call but will have an opportunity to ask questions at the end of the presentation. You may do so by pressing the star key and 1 on the keypad of your device to record your question. I'll now hand over to your hosts, Mr. Michaël Fribourg, Chairman and CEO of Chargeurs group, and Mr. Olivier Buquen, Group Chief Financial Officer, as we start today's conference call. Over to you, gentlemen.

Olivier Buquen, Group CFO

Hello to all our listeners. My name is Olivier Buquen. Welcome and thanks for joining as we present Chargeurs group's first-half 2022 results. Without further ado, I'll now hand over to our Group Chairman and CEO, Michaël Fribourg.

Michaël Fribourg, Group Chairman and CEO

Hello to all our listeners. We are pleased you could join this half-year review in a very turbulent environment, with a macroeconomic, geopolitical and health environment that remains extremely turbulent. I believe the Group has once again demonstrated its ability to combine the robust reinvention of its model— more on this later— with the firm establishment of a performance model that illustrates Chargeurs' ability to weather all these different storms, including one few had anticipated: first-half inflation.

As I was saying, the Group is undergoing a significant, accelerated, assumed, and demanding period of transformation or transition in its businesses, but also of effective reinvention. We capitalized on recent years, including the Covid period, to carry out this reinvention and we will continue to do so. Number one: it's a reinvention of our niche businesses. Our business lines have changed and no longer follow the model of 3 or 4 years ago. They now focus more on integrating both products and services. They are much more holistic in their customer solutions, which is why there was a robust increase in market share with our existing customers and market share gains with new customers.

Number two: we are reinventing our asset portfolio, through increasingly premium assets and hard work to make these assets, whether alone or combined, into performance and growth drivers at controlled costs for the company as we also prepare our future assets in niche businesses.

Number three and lastly, we are constantly reinventing and adapting our management model to new challenges integrated as and when they arise and consistently with the right planning schedule where required. I just touched on 'inflation.' The energy crisis is linked to this. I expect you will have questions about this. In this respect, we have also proactively secured our supplies. And, naturally, the ongoing health situation requires adaptation and fast responsiveness. Remember that an entire area of Asia still faces lockdown and health restrictions as of today, which Europeans tend to forget.

Parallel to this, our reinvention is fueled by a solid performance. Note that we just published record performances in revenue for our non-health-related businesses, with a recurring operating profit above 2019 levels. Considering all the constraints we face; we succeeded in delivering operating profit and a high operating margin with recurring operating profit exceeding pre-pandemic levels. This is still important since we have always been and are still concerned with tracking the performance of what commits the most capital for the asset allocation of our Group. Clearly, this is of paramount importance.

Also, we are seeing a gradual ramp-up in our Luxury segment which brings together a range of new activities as part of a simplified organization – more on this later. Luxury is enjoying commercial successes that represent atypical future profit in the next fiscal year.

Last but not least, and a pleasant surprise for me, is the Group's ability and exertion of its pricing power across business lines which addresses its development model of niche businesses and the allocation of capital in such niches, showing its true potential. In the face of intense crises such as Covid, some wondered whether our businesses would remain profitable. I would like to remind everyone that all our businesses remained profitable during Covid, including our businesses directly facing the crisis. This applies to the Chargeurs PCC Fashion Technologies division, where our businesses, which saw revenue down 35% for over a year, remained profitable despite the decrease, taking less than 18 months to return to pre-pandemic revenue levels. In all, I think this sends out an important message. As for Chargeurs Advanced Materials, our former Protective Films business, which is also part of Technologies, was not affected by the pandemic in terms of revenue. Conversely, activity was clearly penalized by stop-and-go profitability, returning to a higher level of recurring operating profit than 2019. In an inflationary environment, it's significant enough to be noted.

Today, we focus on two strategic pillars: energy and activity with reinvention and performance using a simplified organization and three strategic segments – Technologies, Luxury, Diversification. Each of these segments addresses different challenges and opportunities. Our Technologies division brings together our pure B2B activities serving sectors and needs with vigorous structural growth and in contexts where we are winning significant market share from already high market shares. Olivier Buquen will be able to provide more detail on this in the comments on operating performance by activity.

A Product-as-a-Service model that is developing and intensifying, which enables us to exert pricing power since we enjoy closer ties with our customers and all of this with one permanent feature. For the record, our activities in general are capex-light. Our emerging Luxury segment, which brings together our activities serving new B2B2C and B2C luxury categories, with, at its core, Chargeurs Luxury Fibers, Chargeurs Museum Studio, Swaine and Chargeurs Personal Care, activities with limited exposure to economic cycles, addressing new categories of heritage or experiential luxury, with accelerated international growth and also excellent execution capacity. Next is the Diversification segment which will bring together non-controlling interests, but as part of a limited capital commitment basis for the entire asset allocation of the Group.

Now, let's put this strategic reinvention into the context of strong macroeconomic and geopolitical turbulence. We responded as we have done so and already fully demonstrated by the way, since the start of the pandemic which, unless I am mistaken, was not highly planned or expected by the most seasoned observers. Our response, then, takes advantage of a strong culture of operating and financial discipline. Those who know us will understand this, but for those who don't, it is important to note that in response to this uncertain environment, we leverage the intensification, productivity and flexibility of our industrial sites to address stop-and-go transfers of production based on geographies. For a Group active in a hundred or so countries, this is an asset and one that is extremely important.

We also optimize our product portfolios among our customers, enabling us to rationalize and maintain high productivity and operating efficiency despite an uncertain backdrop. On top of that, we clearly deploy a culture in our businesses which ensures tight control of our operating and investment spending.

Also, thanks to our financial discipline, our focus is on profitable growth. Clearly, this is key. When you speak to our salespeople, two terms currently come to mind, I think: profitable growth and cross-selling, with an obsession to win market share with existing or new customers and to do so short-term in a way that is profitable. Parallel to this is cross-selling, meaning the sale of an increasing number of products and product ranges.

We have given priority to cash flow generation, which was also demonstrated this first half since despite high inflation and the marked recovery in Technologies activities, working capital requirement remains at approximately 6% of revenue, which is still very low with balanced capital allocation in an environment of high cash and available liquidities further strengthened in recent days.

First-half revenue was close to €400 million. It's slide 8 for our viewers. EBITDA came to €37 million. Recurring operating profit was €25.4 million in a current context where all our businesses made a positive contribution to performance.

Before handing over to Olivier Buquen for a more detailed operating review, let me say a couple of things about our Technologies and Luxury segments. Slide 9, in Technologies, which as a reminder, achieved record-high revenue for Chargeurs Advanced Materials and Chargeurs PCC Fashion Technologies, we made considerable market share gains with our customers. We are also expanding the product types sold. As I was saying, another key point is the strong increase in market share with our customers. Analyzing the large markets in the U.S. or Europe, we have substantially more customers compared to 2018 and 2019. For instance, if we take the Top 20 or Top 50 Customers – our market share is greater than 50% or even 70% – and many other scenarios where we are the exclusive supplier. Compared to 2018 or 2019, it changes the entire dynamic. This is also a crucial factor in recognizing innovation capacity, securing long-term market share, and obviously, the cost to replace our products and services for customers becomes much higher once the strategies are interconnected.

What's more we still benefit from a global positioning. Remember that the United States remains our number one market. In the current context, the U.S. economy is still at a very high and dynamic level compared to the European situation, which clearly contributes to our performance. We are developing the Product-as-a-Service model combining products and services for our customers, resulting in total recurring operating profit above 2019 and a recovery, a rebound in operating profit of 40%, even more than 40% versus 2021. Again, it will have taken us less than 18 months to return to performances exceeding our historical trajectory in these activities, which is a good sign, including for me as the Group's main shareholder.

Now, in terms of our Luxury activities, it's a pivotal moment with a shift in the acceleration of their development and the strengthening of their models. Whether it's Chargeurs Museum Studio, which next year will top the €700 million mark in revenue, with profitability levels that will be intrinsically supported by cultural activities, or if the event-driven activities pick up again, which will be boosted by this aspect. Regardless of this, however, cultural activities will be a major contributing factor next year. Chargeurs Luxury Fibers has also seen accelerated expansion. We will gradually see commercial earnings through the implementation of a comprehensive review of this activity as we develop an interconnected product and service offering. We also reported the commercial expansion of Swaine. Clearly Chargeurs Personal Care posted a significant decline in activity, but this cannot necessarily be extrapolated since we have multi-year contracts. So, performance must be considered on a multi-year cycle. As a reminder, this activity posted profitability on our committed capital in 2020 of approximately 1,200%, reporting 400% in 2021 and in 2022, it is still currently above nearly 40%, at more than 36%. So, we're still talking about a substantial figure. The payback on these activities will have been approximately four weeks. So, an investment of four weeks, which must also be taken into perspective in this particular context.

A key point concerns our portfolio of highly desirable international brands, which has expanded through Chargeurs Luxury Fibers, Museum Studio and Swaine. And we will intensify and develop these models with costs kept under control.

I'll now hand you over to Olivier Buquen for a detailed operating and financial review and will be ready to take any questions. I expect you will have questions on the economic situation, energy, and other operational aspects, and we will be pleased to provide answers and explain how we are adapting to this environment, which is important. Over to you, Olivier.

Olivier Buquen, Group CFO

Thank you, Michaël. Hello again to all listening. If we take a look at slide 12, where we see a breakdown in our revenue both in terms of continent and business line. Excluding Personal Care, all business lines achieved double-digit growth of 30% in their activity compared to H1 2021. And as we mentioned, the strong rebound in Chargeurs Fashion Technologies brings the breakdown of revenue by region back to

the relatively traditional balance we have known at Chargeurs, with slightly over 40% of users in Europe, just under 30% in Asia and a little under 30% in the Americas. Essentially, revenue is balanced worldwide. Let's now focus on the performance of our five business lines, starting with Technologies, which generated a 26% increase in revenue versus last year. Recurring operating profit for Technologies was up 42% compared to H1 2021, enabling the segment to return to and even exceed its pre-pandemic levels.

Now to slide 14, and a more detailed analysis of Technologies, with a performance review of Chargeurs Protective Films, renamed Chargeurs Advanced Materials. In slide 14, we can see that our revenue achieved a new absolute record of nearly €200 million, specifically posting €190.7 million. Like-for-like growth of 9.3% versus H1 2021, which you may remember, was already a record. Chargeurs Advanced Materials also reported double-digit growth in recurring operating profit. In particular, the operating margin was maintained at 8.4%, which is clearly a remarkable performance against the backdrop of generalized inflation of inputs, and notably for this business, the cost of polyethylene.

Let me quickly touch on what Michaël Fribourg said: this performance of maintaining the same operating margin was clearly made possible by the pricing power of Chargeurs Advanced Materials. Clearly, this is due to our global market share and our considerable leader position in the global market, with a substantial market share with many of our main customers, often at 100%. This pricing power also results from our extremely innovative and mission critical products. It's also because of extensive commercial efforts in recent years to expand the range of products sold to a single customer. This is a key point which we will come back to for Fashion Technologies. Lastly, of course, our industrial and logistics performance was strengthened by production facilities, with the production line in Italy a few years ago.

I should point out that despite the slight decrease, our order book to date is still 40% higher than the same period in pre-pandemic years. A 40% increase in the order book versus 2019, 2018 and 2017, which were already strong years in the history of Protective Films.

Now, on to slide 15. Chargeurs PCC Fashion Technologies achieved significant like-for-like growth in revenue compared to 2021. This is the rebound started about a year ago, in 2021, in the first and second quarters. We have almost returned to pre-pandemic levels. It's an important point, despite ongoing wide-scale lockdowns in China which clearly penalize activity in this particular region. Luxury and fashion brands accelerated their order intake to support the rebound in their industry. And our order book to date is still at a record level.

The business' EBITDA margin once more exceeded 10% and our operating margin doubled from 2021, approaching 2019 levels which, again, represented extremely high profitability. This demonstrates the business line's productivity and its ability to pass on the increase in input costs. This increase is perhaps less marked than at Advanced Materials but is clearly real when we factor in raw materials, energy, and transport. We pass it on in full to our customers. Again, this is due to our leader position and pricing power.

Now, let’s take a look at our Luxury segment. Luxury was up significantly from last year. Focusing on Luxury Fibers, we can see our activity almost returned to pre-pandemic levels, generating €50 million in revenue with a significant increase in profitability, close to its 2019 level. This performance is owing to the same phenomena as for Fashion Technologies: resumption of activity, but also the growth of our Nativa line, our traceable wool Nativa, which is increasingly popular among brands. We already have agreements with major brands (Décathlon, Vivienne Westwood, Stella McCartney) and increasingly, we are in discussions with other major brands that will join us to market our Nativa wool.

On to the next slide: Chargeurs Museum Studio. Here we see a strong increase in our revenue, with 30% like-for-like growth versus last year. Total growth of 60% is split between 50% like-for-like and 50% external, linked to the acquisition of Event Communications at end-H2 2021. The key point about Chargeurs Museum Studio is how, in a few years, we developed the global leader in services to museums. This slide focuses on the key levers enabling us to establish ourselves in a market where we are widely recognized.

I should also point out that the profitability observed for H1 is not, in my opinion, significant compared to the normative reality for this business line, which is above 10%. This is due to phasing. Since the acquisition of our British companies, particularly in 2019, we have led a transformation of these activities, reorienting them to large-scale projects. The process is taking some time. We are gradually winning such large-scale projects, which will show results from 2023 and clearly in 2024 and 2025 very quickly. The same applies to our American subsidiary. The second phenomenon Michaël Fribourg mentioned earlier relates to the economic situation where approximately 25% of our activity is linked to retail and trade shows which have not fully recovered and are gradually picking up. If they return to a specific pre-pandemic level, they will clearly contribute to strengthening the business line’s profitability. In any case, we are highly confident in this business line which has a firm order book of still sizeable projects, providing good visibility for the years ahead.

In addition, we strengthened our positioning in this scope of activity with the recent acquisition of SKIRA EDITORE, one of the most prestigious art publishers in the world and which enables us to serve our customers year-round and not only as part of structured large-scale projects.

Lastly, our Luxury segment also includes Swaine – an activity acquired last year and supported by a powerful brand with over 250 years of existence in the UK. We have worked hard to reposition and premiumize these brands to the ultra-luxury segment. In particular, we focused on restructuring, reorganizing, optimizing and modernizing production facilities. We are working on new distribution points in absolutely iconic locations across London as we develop the brand. We are also in the process of establishing distribution contracts in Japan for Swaine's corners, which will help them achieve their full potential in the years ahead. We also strengthened this activity with the recent acquisition of The

Cambridge Satchel Company, which not only expands our business into affordable luxury industries but also provides state-of-the-art manufacturing infrastructure to foster the development of Swaine.
Lastly, as mentioned earlier by Michaël Fribourg, Personal Care is an activity whose value is expected to increase on a multi-year cycle. Against the background of a normalizing pandemic in Europe, despite its ongoing impact on China, in the first half we remained extremely mobilized with a capacity to respond over a short period, providing substantial volumes and high quality for our customer orders as part of the strategic multi-year contracts in place. This is supplemented by an extremely low cost level. As Michaël Fribourg touched upon earlier, it ensures extremely high profitability levels on capital committed (1,200% in 2020, 400% last year, and still 36% this year), with a return and payback rate on our equipment of a few weeks, which is actually quite uncommon across all industries.
Parallel to this mass production, we are diversifying this activity. The partnership with Sockwell for compression socks is up and running and delivered robust growth up more than 40% on last year to Altesse, which we market under the Altesse Studio brand.

Now let's move on to our financial review in slide 21, focusing on the Group's income statement. In addition to our revenue performance, I would like to draw your attention to our gross margin rate, which remains high at 26.4%, exceeding its first-half 2019 level. Again, in the context of cost inflation, this marks an excellent performance. Crucially, excluding Personal Care and comparing our performance to 2021, the margin rate improved by 0.6 point which further highlights our pricing power, particularly for our Technologies business lines. EBITDA was €37 million. Recurring operating profit was more than €25 million. For the record, recurring operating profit in H2 2021 was €16.7 million. We delivered an excellent H1 2022 performance, with recurring operating profit up nearly 12% from 2019 pre-pandemic levels. Excluding Personal Care whose performance last year was clearly driven by the pandemic, our recurring operating profit increased more than 30% versus H1 2021, notably thanks to the performances of Advanced Materials and Fashion Technologies.

Then, below the recurring operating profit level, let me underline a few items. Amortization of intangible assets, the PPAs, are up half a million euros owing to the consolidation of Event. Non-recurring items were very limited at -€0.9m. These were both non-recurring expenses which were moderate and which were partially offset by gains on the valuation of minority interests in some of our shareholdings, which, furthermore, were paid in July. Our financial expenses are higher, but the 2021 comparison basis is unfavorable because, in the first half of 2021, we achieved gains on the active management of our cash. However, if we take account our interest expense on borrowing, this was almost flat at €6.6m – €6.3m in H1 2021, reflecting the tight control of our indebtedness. Our tax burden was down on last year, at €2.6m, and this was linked to our earnings performance over the period. Therefore, all told, net profit attributable to the Group came to €10.2 million, with diluted earnings per share of €0.44, up 22% compared with 2019.

On page 22 we have our cash flow statement, and we can see cash flow from operating activities of more than €18m to which all of our businesses contributed. It is lower than in H1 2021. Once again, we can see a strong contribution from Personal Care. It is however much higher than the cash flow from operating activities generated during the second half of 2021 which came to around €6m.

Therefore, we increased our WCR by €17.8m because of strong growth in the Technologies activities, once again exceeding 26%, and the automatic, as in accounting, increase, in the value of inventories linked to generalized inflation. And, let me insist, as Michaël Fribourg did, on the fact that our WCR/revenue multiple remains at a level that is the lowest in recent years, except in 2021 which was a very unique year, but also as a low, it is comparable, at 6%, WCR at 6% of revenue. This leads to positive operating cash flow of €0.3m.

The level of capital expenditure was very moderate at €4 million. Therefore, it is clearly the fact that in the past we had carried out very significant investment that we are now today in the position of benefiting from very contained ongoing capital expenditure. Therefore, we could buyback minorities and finance earn-outs on our recent acquisitions for €1.5 m, and pay a cash dividend of €12m. Lastly, "other items" in this cash flow statement relates mainly to the repayment of lease debt for more than €5m, treasury share buybacks for €800,000 and the restatement of other current financial assets within the framework of our liquidity management contract. All told, net debt came to €136m. It remains under control, despite WCR impacts and the dividend payment which, on this point, truly reflects our shareholder return policy.

On page 23, our balance sheet shows an increase in intangible assets to €26m linked to the consolidation of Event from January last, as well as the impact of foreign exchange movements on goodwill. A slight decline in tangible assets linked to the amortization of acquisitions in recent years, and the increase in WCR already mentioned. Therefore, all told, we see a strengthening of our equity thanks to the net profit generated in the first half, dividend conversion, translation differences, excuse me, linked to dollar appreciation, partly offset by dividends. Therefore, our net debt level enabled us to maintain very tight control of our leverage ratio which was slightly above two times EBITDA, while also for the past two years, financing 23% of risks, investments and carrying out five acquisitions. The Group has a solid and very flexible financial structure. As you can see on this slide, the average maturity of our refinancing is 3.3 years and, at end-June, we had €300m in available financial resources.

Let me conclude with page 24, and announce that we have just raised €105m in bilateral credit lines to boost our financial strength and our balance sheet liquidity which we have just mentioned. Five leading banks confirmed their confidence in the current and future performance of Chargeurs, which is, of course, a particularly good sign in these times of great uncertainty worldwide. These were mainly revolving credit lines which were obtained at excellent financing conditions and rates and which, of course, provide us with additional resources to finance Group growth and enable us to adapt continuously to our environment and seize any opportunities that may arise.

Let me hand you back to Michaël Fribourg to conclusion this presentation.

Michaël Fribourg, Group Chairman and CEO

Well, as you can see, Chargeurs is adapting its management model to the volatile backdrop and, little by little, is powering up the different growth drivers and leveraging new sources of growth. I remind you that our goal is to continue to pursue our Group's change of scale within the framework of the Leap Forward program, and this objective means overcoming obstacles and generating scale effects to boost revenue and performance. And, therefore, we must consider the non-linear aspect of what that implies because, for example, Olivier said about the Museum Studio business that to go from a smaller gear to a bigger gear , it is not like on a mountain bike where you have to shift up gear one gear at a time, otherwise it would be too time consuming. To move to the higher gear, you have to accept the J-curves also to be able to leverage scale effects and performance.

Our portfolio of businesses is equipped to manage this economic volatility, as I said. We are all experiencing an environment which we still consider to be uncertain and we believe that for end-2022 and 2023 we will remain in such an environment, but, for our part, we also have activities which are overall well positioned both to adapt and take advantage of recovery plans which will be implemented or support plans which will be generally implemented for the economy. We also operate activities which have demonstrated their ability to anticipate the positive impacts of these recovery effects against a backdrop where, already, they have significantly recovered, approaching and even exceeding pre-Covid levels. As I said, we are powering up our performance drivers and we will also take advantage of this from next year, regardless of the economic backdrop.

That's it, now let's move on, it is now time for questions. We have been speaking for about 40 minutes with our presentation and now we want to allocate time for exchanges.

Operator

Ladies and Gentlemen, if you would like to ask a question, hit star 1 on your handset.

Jérémy Sallée, Portzamparc

Yes, I have several questions. The first, regarding trends for the Technologies Activities. Are you confident that you can maintain this level of performance for H2, both for the Advanced Materials arm and for the continued recovery of the textile businesses? And, overall, on margins, in light of the anticipated surge in inflation, do you think we can hold steady, and maintain H1 margin levels in H2?

Michaël Fribourg, Group Chairman and CEO

OK, let me answer you overall about inflation first. Let me give you an example which I find particularly telling. First, let's take Chargeurs Advanced Materials, and let's compare H1 2022 with H1 2020 or even

2019. And, if we extend and extrapolate trends for the full year, the increase in input costs that hit this business between these two periods amounted to €25m per six-month period, or €50m over the full year. And yet, our margins remained at the same level. Overall, we are doing well, we manage to pass on increases and transfer them, thanks to the nature of our positioning and the criticality of our products which do not account for an excessive portion of cost prices for our customers, we pass on price increases, and our pricing power is pretty strong, a fairly high price premium compared with the competition, to continuously pass on price increases. This is true of all of our activities. So, that, that is more or less inherent in the Chargeurs business model, dare I say. The Chargeurs model, our range of niche activities, expanding into fundamentally niche activities, this trend is in decline compared with this model.

As we said earlier, we have record order books for Chargeurs FCC Fashion Technologies within the Technologies division. For the Films activity, there is volatility with fairly contrasting situations between the United States and Europe at this point in time, against a backdrop experiencing levels far superior to those seen in 2019. So, what we are seeing everywhere and what we believe to be true, is that order books will have timeframes which will be shorter and therefore we will have to be more highly reactive. But that in itself should not have an impact on our strong pricing power. It could have an overall impact on the volume effect, but not on the price effect. Therefore, in any case, we sell very high value-added products, which carry high margins. It is true that we do not have a crystal ball to predict economic trends, but we are talking about consumables, so it is true that they can be impacted by volatility. But, overall, in any case, we are not currently experiencing problems in passing on price increases. And, we are not experiencing difficulties in this respect today, nor did we six months ago, nor one year ago, nor three months ago. For us, it is not an issue to pass on these increases, we are organized to do so. Indeed, we underlined this with our full-year 2020 results and our 2021 financial statements which we had undoubtedly taken too long to shift to what is today Chargeurs Advanced Materials, probably by about three months. But now we have implemented a very high discipline to pass them on.

And there is another point that can offset this volatility, it is market share gains. Because our activities benefit from huge opportunities and additional markets. Thus, here we go, we have this environment which is fairly flexible and we have tools which themselves are very flexible. Therefore, we can shift production from Europe to the United States, and from the United States to Europe and even form Europe to Asia for certain products. Therefore, then we are permanently adapting this regime, so we don't have problems in this respect. We do not suffer from rigidity in adapting our production base to the current environment. And, we have three major production centers, in Asia, Europe and the United States for activities linked to the textile industry. In Europe, the United States and a bit in Asia also for the activities of Chargeurs Advanced Materials, therefore, within this division. But I want to say, it is somewhat fundamental to our Group's model, in other words to our activities, we develop activities with pricing power, otherwise we don't develop them, we don't develop ranges that do not enjoy pricing power.

So, how far can we go? It will go to the point where the world will continue in any case to increase its prices and we will continue to increase our prices and we will increase and we have substantially increased our prices. We will continue to substantially increase our prices. Our sales staff have made this known to our customers.

Then, there is the energy factor – I don't know if this was implied in your question, but I imagine other people would like to return to this topic – our 2022 energy bill came to €12m. In summary, we will transfer our 2023 energy bill to our customers. The market is extremely volatile. On the topic of energy, we made two decisions which we believe to be very important. First, a decision to secure energy procurement. So, to be very concrete. Our European plants are equipped with generators capable of operating for several days non-stop, for electricity and for gas for some in fact, producing gas. In the event of interruption of supply, for example for water heating, we can draw up a scenario where there could be a continuous outage spreading over several days. This is more or less done, in principle, to manage dips, and even to enable us to resell energy via an offsetting strategy with industrial fuel prices which are not as high as gas and electricity prices. But there you go, right from the start of this spring, we anticipated, long before it became a topic of public debate, both publicly and in economic circles. In fact, we anticipated the situation and, at present, we have many industrialists. I point out that there are a lot of industrialists who seek this, but, we already have it. And, I think it will be very hard for certain industrialists. But, we are well equipped. And, our production base is fairly spectacular. So, there you go, this is an example of the adaptation of our business model to the environment and to always have a several weeks lead on the situation. There, we are covered against this risk. So, if there are outages lasting several days in electricity or gas, I believe that could become a major issue regarding public opinion because I don't really know how people would manage to keep their fridges or freezers working. So, here we are, equipped for very extreme and prolonged situations and we will be in a position to leverage our energy efficiency, which is, furthermore, another dimension which means both securing procurement, but also ensuring energy efficiency by optimizing our industrial and logistics planning at a global level.

Second, for 2023, and thereafter, we have a strategy that is completely adaptable. We did not run the risk of a hedge at high cost for 2023. I believe there could be major industrial drama with people that have taken positions in a completely mad market. And therefore, we will be in adaptation regime, but also, considering that we have production located in France, in a regime that benefits from capped quotas, capping which already exists, linked to nuclear energy, because about 70% of our French energy consumption is covered by the nuclear quota. So, here, that means that we are protected. Then there is the remaining 30%, but on this remaining 30%, of course, we do not receive support. We must remain keep our cool, even when all around are losing theirs amid completely unreasonable conditions like those of a mad market. Particularly as you have seen, it would have been stupid because there are current projects for price capping and decorrelation of electricity energy prices. So, this relates to 30% for France and, for Italy it relates to the full amount. After that, we also have production in the United States where

the ratio, the cost is between 10 to 20 times lower than with us. You are in electricity or in gas and we have locally-based plants and we have plants in Asia, where, as a result, there are not the same issues as in Europe.

On the topic of energy, if you like, we can return to it, but there you go, our position is to continue to remain cool. Because, when we observe that between August 25 and September 5, the price of the megawatt/hour was reduced by 40% on electricity or gas owing to volatility. The problem is rather that the volatility in this market moment is dysfunctional indicating that regulation was not sufficient. I think there are regulations that are in the process of being implemented, including for tomorrow because there is a meeting in Brussels on the subject. But, of course, we decided not to hedge against the backdrop of panic movements on energy supply because, first, we have the flexibility; and, second; you need an adaptable regime and we have contracts and we implement contracts based on this adaptable regime. I am saying this because many industrialists, perhaps motivated by panic, concluded, notably in France (this is not our case but I am saying it all the same), distributors offered many industrialists, amid a movement of panic in light of the explosion of megawatt gas and electricity prices, contracts that tie their hands for all of 2023 and even for 2024, on what were not ARENH levels for electricity and for all of their gas consumption. And, some blocked these prices which are completely mad and which will, in this case, never be passed on to their customers. Because, if you are not in line with market prices, then it is difficult to pass on price increases. We will pass on increases to our customers based on month-on-month or rather quarter-on-quarter price movements. And there you go, that is how we see things. If the price of energy, if the energy bill represents 16% of GDP in Europe, then I think there will be an impact on the overall level of European business which would mean that energy prices would collapse. There would be a dream relationship between the growth effect and the energy rationing effect. So, that's it, our energy strategy. It is first: safety and second: flexibility. And we will pass on increases as we have passed on other costs which have increased by X, here I am talking about a multiplier effect not just increases of a few percentages, prices which have increased several fold over recent months. And, above all energy planning. At a time when the term sobriety is becoming fashionable. It is a way, perhaps for some, because there is an energy shortage, it is better to be organized. We need it and we support growth. We have structural growth needs, we will implement energy optimization. Sobriety, will come naturally. We will not just consume energy for the sake or the pleasure of consuming energy. It is, after all, a precious commodity, but, that's it, we will continue with our very adaptable model in this respect. There are circumstances when being hedged is a good thing. There are other times when being hedged is a very bad thing, if you adopt a hedge, you should not speculate, against a mad energy market backdrop. Does that answer your question? Very good. In my view, this was probably a question many had.

Flavien Baudemont, Berenberg

I would like to continue on the theme of inflation. You haven't spoken at all about luxury, and especially CMS. For CMS, if I understand correctly, you secure contracts several years in advance. How are you protecting yourself from inflation actually in this sector?

Michaël Fribourg, Group Chairman and CEO

So firstly, we have many services activities in CMS. So these activities are not, we have manufacturing activities and services activities. The manufacturing activities also have adjustment clauses. So that, it's not a big.... And renegotiation clauses on these aspects, when there are some, this is not a big issue. In the services part, it is mainly wage inflation that can come into play. So we are not at all in the same issues as the scales we talked about in energy terms. I would remind you nevertheless that these activities are far less industry intensive than our other activities.

They are also far less intensive in terms of transport costs. We are talking about energy inflation, I would point out that transport costs have been multiplied by 10. By 10 over certain periods during the first half, and despite that, we maintained levels, we delivery our performances despite the fact that transport costs have risen ten-fold compared to 2020. This is quite an achievement.

So they are less industry-intensive. We have the adaptation clauses and the component afterwards is more about wages, but on these manufacturing components, there is still a lot of contractual adaptation along the way, because there are additional complexities that the customer wants, because... So these are multi-year contracts and at the same time they are animated. So it's easier to adapt than when you sell a priori what you sell as consumables. At the same time, the short-term consumable, as I say, since we also adapt them, for us it's not really. Today, this is not our core issue, inflation. To resume, for Chargeurs, it's not the core subject.

The core subject for us, is carrying out our transformation, our reinvention. Its market share gains, and on the other hand, adaptation and making the human, logistics and industrial facilities more flexible. But there, in... And for example in Personal Care, we have multi-year contracts and they also have specific clauses in case of very sharp increases in certain input costs. They are little concerned today because their inputs have not exploded, like other sectors. But we also have clauses, so we also have contractual hedges for this.

Flavien Baudemont, Berenberg

If we can continue with CPC, do you have an acquisition pipeline for targets in mind at the moment?

Michaël Fribourg, Group Chairman and CEO

Yes, we have targets. But, we are also taking our time because the environment, even in the past few months, has been quite expensive. There are things that interest us, or that we hear of and we would like

to buy, but we don’t want to do this at prices that would substantially decorrelated with their price next year or so. We are in an adaptive mindset.

We have also focused lots of efforts on Museum Studio in terms of acquisition and integration quality. This is extremely important. The aim is not only to acquire. I would point out that we have acquired around 20 companies over recent years. That’s a lot. And we integrate them each time to make them a success. We showed this with CFTPCC, which is fully integrated, and Museum Studio now, which is fully integrated. By mentioning for example a simplification that we implemented because we had three companies, if only in London, where we are today, and in fact, we combined them into one company. Obviously, this reduces costs and reduces all the general sum costs. So, yes, we have acquisitions in the firing line that will focus more on Personal Care, and less on individual personal protection. We never wanted to make acquisitions, as we've always said, in personal protective equipment, we provided the corresponding adaptation in terms of asset quality, in terms of asset model, to what we're looking for, i.e. products that can be marketed intelligently in selective distribution, in pharmacies, in travel retail, and that also have pricing power and that can be bigger than Fournival Altesse. Fournival Altesse is also used as a kind of Trojan horse for a number of customers in travel retail and selective distribution. But it is already going to be consolidated on 31 December and it has quite significant like-for-like growth despite the environment which is not at all particularly beneficial. But these products also have significant desirability. We reinvented their packaging, their PLD, which was vital for as before marketing them.

But yes, we have acquisition targets. They are generally already very international and we want to be able to make them even more international. There are very intelligent people who explained to us that we absolutely had to buy players in Personal Care who had less long-term contracts than us and who wanted to charge X times their 2020 results. We didn't really want to follow this path and at the same time, I remind you that we have multi-year contracts and we are still in important multi-year contracts. We have the biggest European contract in Personal Care. And so here, there is volatility where they ordered slightly more than usual in 2021. 2022. We have a reaction commitment within a week. So in fact, this is what also explains the profitability that we have, when they have orders and so it lasts until 2023, 2024, excuse me, this existing contract, and we have other contracts as well and which themselves adapt with a component at the end of the service, which is very important and reactivity which is very important. The flipside is that we have volatility in the activity, but on the other hand, we have very high profitability, so we don't have to worry about pricing future contracts. Because, in fact, in any case, we are the only company able to offer it in these proportions and in Europe, so an alternative does not exist, it exists in Asia, it does not answer the problem. I remind you that we are able to switch to units ranging from 0 to 5 million in seven days. Which is totally unique in Europe. This explains the very high profitability we see in this activity, which is more of a service than a product. That is to say, it avoids customers having to pay for long storage, it enables very strong adaption, and provides it security of supply. The flip side is that we have volatility in this activity, which is why we are speak of non-health related products, in a context

where the rest has also recovered. But opposite this, we have very high profitability. And there is no downward pressure on prices in relation to this service to say so. It is a unique service, which does not mean that it can be priced any old way. But pricing them very high, but at an amount that is considered very high by customers - who are public players, bank insurers, large networks, those who... energy companies for example, who need business continuity, they are the suppliers of essential utilities. And the big French networks, so for example, the banks that stayed open during the lockdowns. Obviously, they are among our large recurring customers who themselves adjust stock and who we help manage their stock. At the same time, I would remind you that the industrial tool is shared between CFTPCC and Chargeurs Personal Care, and since CFTPCC enjoyed a massive rebound, in a way, it mobilized the industrial tool. So there is a kind of interplay between the two. When there are lockdowns, there is less activity at Chargers PCC Fashion Technologies. When, on the other hand, there is much more Personal Care activity that absorbs the fixed costs of industrial tools and vice versa. So we have this flexibility which exists and which works very well in Europe.
Do we have any other questions by phone?

Francis Pretre, CIC Market Solutions
I have two questions. The first concerns the Protection Films division. I understood the energy part, the price part. I would like to discuss more the volume part. To understand clearly changes in materials in Q1 and Q2. What can we expect on the subject of volumes? So that corresponds to the activity with if possible your vision between Europe and the US. So this is a quite significant point. And the second part of my questions concerns the latest acquisitions. Can you tell us more about business volumes, momentum? I understood that you are going to roll out a number of corners throughout the world. But could we have some additional details to be able to build something more precise? Thank you very much.

Michaël Fribourg, Group Chairman and CEO
Of course. So Chargeurs Protective Films has been renamed Chargeurs Advanced Materials to better reflect that these are process films and not packaging films in Chargeurs Protective Films because these are films that are used in the production process of manufacturers. So my answer will be a bit longer maybe about Chargeurs Advanced Materials. To tell you a little bit about our feeling, which is also based on the ground, since we have just spent the last few weeks on a world tour of our Western sites, spending quite a bit of time in Germany, Italy and the United States, which represents more than 50% of our worldwide activity in this business. What we're seeing today is a fairly significant decoupling between, within the developed countries, and again the case, I've eliminated the case of Asia for the moment, because there are still a lot of lockdowns in Asia, so there's stop and go, cities opening, so we're forced to move stocks. Although Taiwan remains at a high level in terms of redistribution platforms in Asia. Considering the decoupling of the American and European situations. The Americans are suffering from

inflation but do not have the same energy problems or the same financial problems as Europe. So our observation is a very large decoupling. The Americans are full of projects, full of ambition, full of capital, full of dynamics, so it remains strong. I remind you that this is our first market.

Then, in Europe, the picture is much more mixed. Germany is in a slowdown that everyone knows from very high levels too. So today, I would like to tell you that it is paradoxically still a little early to draw the trajectory. Because to put it simply, in Europe, customers are reducing the lead time of their orders and are asking for much more reactive orders and are less into programming, because for example the Germans, in fact they have enough to run their factories in November. So they have no rationale to do so. So, from this point of view, there is less visibility in Europe, so we are making the tools more flexible. The United States remains at a high level, so here we produce in Europe and serve the United States. And we produce in the United States too, we may increase production in the United States in the coming months to benefit from the American energy mix. But that's a maybe because there are so many day-to-day decisions and we're in a world that's adapting day-to-day to the energy cost situation. If tomorrow there is a change in the way the price per megawatt of electricity is calculated and its decorrelation with gas, this will change the way the energy market works and therefore the mix, and therefore the reactions of economic operators in Europe. If next week, or the weeks to come, they cap the price of electrical energy, that will also change the situation enormously and play a substitution game. It will stop market speculation. It is an anti-speculative measure obviously.

So what I can tell you is that we are very adaptable. Secondly, we have order books that are much higher than in 2019. We see in the United States a toughening. We are seeing stop and go in Europe. These are mostly the effects of stop and go, but in terms of time, well, we are adapting like we did in 2020 as well. We had a bit of a stop-and-go situation in 2020, and then at the end we had revenue that was fairly well preserved. So there you have it, I want to tell you that the situation we are in, us, is very mixed. And the Americans are not at all in the same mindset as the Europeans, but not at all. So 40% of Chargeurs' business is directly and indirectly linked to the US. So I want to say that in a way, it reassures us. But Americans are not debating the extent of a recession. They are not there at all today. They have the impact of inflation, but all prices shift upwards, we ourselves shift prices upwards, wages go up, everything goes up, rents go up, interest goes up. You know, you are even more expert than all of us on this. But it is quite significant.

The situation in Europe is much more mixed and requires far greater reactivity. On the other hand, we think that we should not interpret and extrapolate the stop and go contracts because in practice, in Europe, nobody knows. So we're not going to have a crystal ball to say it's going to go this way or that way. There are plans. Germany has nevertheless announced €85bn in compensation. That’s a record. We are even in the UK today. The new Prime Minister has announced £115bn in energy cost compensation. So there you have it, there are things that are being put in place right now in this back-to-school period, we have the feeling that there has been a delay in European decision-makers’ awareness about the impact

of this energy upheaval on the economy and now, on returning from their holidays, they are saying to themselves that they have to deal with this subject and so they are. And that should at some point ease speculation on the energy markets and all the consequences behind this. Then, well, if energy supplies in Europe are regulated, the industrialists, I think, will still adapt. When you hear ArcelorMittal say I'm closing a plant in Belgium because the cost of energy is very high, yes, but at the same time it says I'm pushing my plants to the United States, where my energy fund for 2023 is going to be fifteen times lower on average. So we will serve in the United States instead of in Belgium. So that's it. In short. So we follow the customers where they are, we adapt, we also observe, which is why we were talking about compensation plans, adaptation plans. Our real issue is security of supply, and we have it. Our critical supplies have it too. So there you have it. For acquisitions to come to the second point. So sorry, as a summary for the first point, we are cautious, but very adaptive and in markets that are themselves structurally buoyant. So that's what I think we should remember.
In the field of interlinings.

Francis Pretre, CIC Market Solutions
Let me just interrupt you before we move on to the second topic.
Does this imply that we can expect slightly more American business in the months ahead? Does this imply that, because of political reaction, to offset what's happening in Europe, we may have slightly higher than expected activity at year-end, and conversely, a Q3 more marked by stop-and-go across Europe?

Michaël Fribourg, Group Chairman and CEO
That's a fair assessment and I would add that there are questions to which we do not yet have answer. On our side, we have produced an analysis of the situation. Let me explain. First in terms of Asia, and China. As you are aware, there is a Congress in China which could really impact decisions for a stimulus plan or the continuation of a zero-Covid policy. This suggests wide-scale macroeconomic implications on Asia. In terms of Europe: either it wakes up and acts boldly; or it basically commits suicide. The picture is fairly straightforward: either it's economic and industrial suicide or Europe wakes up and gets organized to prevent shortages and a recession, from which, we think, it will struggle to recover. As for the United States: it remains the United States. We are seeing factories open and it's a country with appeal that benefits from the situation. On top of that, there is competitiveness for Americans in their European product imports. As a Group, we benefit from the competition. We think there may be efforts to compensate for this, with a fast redistribution of global production facilities in the months ahead. It's why I insist on the idea of adaptation. I think you are right and we could see volatility in Q3. Further on, there may be more stable Q4 and Q1 reactions in 2023, assuming public decision-makers make the right decisions. My take is that economic operators currently suffer the impact more, and ever since Covid, for that matter. We never called it a health crisis. It's about the impact of a sovereign decision. In terms of

the actual lockdown, Covid did not cause this. Public decision-making in countries did. There's a difference. In this spirit, it's not the Ukrainian President who caused the energy crisis. It's down to sanctions that are sovereign decisions required of all economic operators. Ultimately, it's why we consider our various forms of competitive edge – our production areas – in such scenarios. We cooperate with customers, monitoring as needed. If they no longer operate in the US, we support them. If they want to fly more by plane, we also support them. That's our mindset. We spend time adapting this way, avoiding the trap of working our own competitive edge and trying to hedge on things without any purpose as is the case with energy for 12 to 24 months which is nonsense and an economic and industrial danger.

I tend to agree that our analysis corresponds to what you are saying in that so far, we have seen global consumption and savings. We must also understand Chargeurs' perspective, in a context where France represents 5% of the Group's global revenue. 95% is an interesting figure to us. Our policy is 80%. Our first priority is 80% of the stakes and profitability. We have production sites in France, with the advantage of the nuclear fleet. Again, though, there are lots of sovereign decisions at stake: Do you persist with a zero-Covid strategy? A further lockdown? A pandemic wave? If so, is it intense? There are lots of factors to consider. And there you have it. We are able to adapt based on the scenario; we prepare for activation or deactivation according to the situation. That's basically how we currently operate. Naturally, though, we would prefer a rocket in blue sky launched from Florida. The photos would look nice too. But this sky has clouds. And turbulence. If the rocket won't launch Monday, it will on Saturday or the following Monday. Regardless, the rocket is ready and we will adapt. I am not sure if I answered your question, but it gives you an insight into our mindset. We try to keep calm and remain stable. Next, we do not provide forecasts since every day, public decision-making can have an impact. What we do know is that our sites are designed not to close, either for energy or health reasons, since most of our global sites also conduct health-related activities that cannot be closed for lockdowns, for instance, since even in the United States, our Chargeurs Advanced Materials site doubles up as the Chargeurs Personal Care site. It also protects us from certain environments with hasty public decision-making. Basically, this gives you some background.

As for acquisitions, I answered as fully as possible. In this regard, we stepped up our strategy. Today, Museum Studio does exactly what Olivier Buquen said. Specifically, by combining the assets of Museum Studio, a world first. Museum Studio is a cultural content creation studio helping major public and private decision-makers, leaders of cultural institutions and major luxury brands as well as major experiential venues to make their brand strive for excellence by focusing on four levers: we help them develop their accessibility and visibility, including from a digital perspective; we help them leverage their educational skills in physical and digital experiences using traditional and immersive tools; and we help them diversify their revenue. When you acquire a global-leading publisher, it enables them to diversify their revenue. Added to which this publisher also produces and manages bookstores in many regions across Italy. This helps them to diversify their revenue. After this stage, we offer them increased support on 'connection' issues with their various communities. Take the example of a large museum in a Western country

exhibiting restored works in former colonies or regions where works had been transferred. As a Group, we will create museums in these countries which are countries presenting these restored works. It applies to both the French and English-speaking world.

To date, we benefit from an extensive array of skill sets. The best summary was given by Olivier: we can always sell to these institutions in some capacity. We must not disregard cultural institutions nor brands. At present, brands deploy strategies adding value to their legacy and experience, which is very important. Most recently, this happened at Dior, all influential and global-reaching brands now have a museum or experience centers. We work with brands such as Philips, with our expertise spanning Carlsberg and the Metropolitan Museum so there is a large gap. As you will have observed, the Museum Studio activity effectively absorbs its fixed costs only with the first phases of the major projects won, i.e., almost no event-driven activities in H1 2022. Also and admittedly, there is zero public compensation, since it was stopped in the Netherlands, the United Kingdom and the United States. It absorbed everything alone as if it were business as usual. We held on to our team of staff. There was no compensation system and we did not want to lose skills. This too was our decision. It's a rational process since if we develop with larger projects and start deciding on skills in a world where they are already hard to acquire. Basically, we work differently with the skills. This is absolutely key. As Olivier said, the portfolio is expanding. We acquired SKIRA EDITORE and will no doubt acquire other publishers. We're talking about publishers operating a model with minimal risk since they have many commissioned books, so it's pre-financed before publishing. They also run a production business with the risk of high exposure, the risk and reward linked to production, and not forgetting audiovisual production.

On another level, our focus is on comprehensively reinventing Swaine, one of the oldest luxury brands worldwide. Regarding market positioning, Swaine is basically the reference, like Goyard, in some ways. Essentially, this defines their positioning. We're talking high-end and ultra-luxury. That said, our strategy is not at all about developing a brand for gentlemen or exclusive artistry and craftsmanship. Rather, it's about developing a global-reaching brand. To support this initiative, we also targeted Cambridge Satchel which, with its different positioning, supplied a manufacturing facility in England. This avoided any such manufacturing payments by Chargeurs. In reality, we achieved synergies as required with leather goods production capacity in the UK, acquiring both the capabilities and the brand, which is widely recognized among celebrities and carries some appeal for brand integrity. Overall, we made an excellent deal which capitalized on the circumstances and was integrated into Swaine's strategy. Alongside Swaine is the Cambridge Satchel brand, which will continue operations. Cambridge is famous in Asia since there is actually a poem by a renowned Chinese poet which all Chinese people learn in school about Cambridge. It resembles the fables of La Fontaine. They learn it before discovering Cambridge and they purchase many Cambridge Satchel products, which explains the large Asian readership. We also thought this would boost our exposure in Asia. Swaine is currently signing an agreement to open both corners and stores in Japan since the Japanese have developed a fondness for the 272+ year brand. For us, this is essential criteria.

We sought a brand with high strategic potential and continuity in business activity for 270 years. Our goal was not to turn around or revive a specific brand. Instead, we wanted an active brand with its own scope that needed a complete revamp. In this respect, the brand is already operational in London and highly successful. It will be consolidated in 2023, and we expect it to grow quickly enough with profitability models to match our standards, and it will become a business with medium term revenue of several tens of millions of euros, and perhaps more. We can also complement our investments to measure the return, and in a context where we can offer advantageous retail conditions that help to establish our initial positions and remain the same in the years ahead. This is true for the new flagship store in London, which will showcase the new product range. This point is key.

We will step up our acquisitions. We stick to a model that does not acquire any 'white elephant', instead making acquisitions to strengthen our assets before developing them. Our business model is not about making acquisitions rather than a fund for the sake of making acquisitions and giving companies exposure. We enjoy a robust integration model. In 2018, we acquired FCC which became Chargeurs FCC Fashion Technologies. Integration is now complete. This includes sales teams, customers and information systems. Many companies will acquire other businesses without ever integrating them. Chargeurs actually did integrate them and the person who led this from Asia, Audrey Petit, is with us in-person on today's call. All told, we have acquired considerable market share with our customers. What's more, we have never lost a customer nor experienced overlap. Conversely, we secured market share since we could expand our range offering and create a one-stop shop. As of today, Museum Studio is identified as a one-stop shop by the main decision-makers of cultural components. It's not real and global competition does not exist. We won the largest markets in the United States and the Gulf for these activities. At the same time, it also involves phasing with our company in the 25-30% phase for profit/revenue recognition. First, we start with a work in progress before expanding, but you do need a work in progress to produce a work in completion. It's how the financing works, and how we work. Does anyone have any other questions?

Michaël Fribourg, Group Chairman and CEO

Let's open the Q&A to final questions. You are then all free to go as we appreciate you have busy schedules.

Flavien Baudemont, Berenberg

Quick question: You mentioned cross-selling between CFT and CMS in this morning's publication. How much are we talking in percent? What sort of figure?

Michaël Fribourg, Group Chairman and CEO

Today... well, in 2019, it was zero. Today, I would say it affects 10% of our customers. In 2023, I think 20% will definitely be affected. Basically, it's because our CFTPCC Fashion Technologies customers experience

large-scale challenges with gamification and sustainability. So, they approach us, and we request their expertise for Chargeurs Luxury Fibers. In this case, cross-selling applies across business lines. However, we also practice cross-selling within business lines. Many salespeople discuss cross-selling with us which they interpret as selling a niche and customer-specific product and monitoring the competition.

This is true of CFTPCC. In fact, it applies to all business lines, but particularly CFTPCC and CLF since today's customers request that we reapply our work on wool fibers such as cotton. Since they consider us a direct intermediary between the main brands and producers. We deploy a blockchain system, blocking them and all applicable industrial and logistics equipment. It's a recent development. In the past, we would sell wool for those in contact with us at the time, 5 years ago. We would sell to spinners who sold it on to fabric makers who, in turn, sold to the man who saw the wolf, which spotted the goat that had, in fact, noticed the man forgetting he had seen the goat. Now, the system is entirely different. We sell directly to the brand, which had disregarded this fiber but is now concerned for reasons of brand referencing integrity. With this in mind, Stella McCartney is one of the loyal brands that led the way. In the weeks ahead, though, we will make some announcements on global-leading luxury brands that have moved their entire supply chain to us with agreements integrating product and service components. Simply put, we also sell these customers a range of marketing tools. And we sell tools promoting improved production standards among major producer accounts. Essentially, it's a closely connected process, hence why we insist on the notion of a commercial partnership. The reality is we don't sell a product. Once they partner with us, we collaborate on contracts lasting 5, 6, or maybe 7 years. We must be honest about how long it took to break the market. However, the market shifted during Covid. Financially, we had not invested to develop these structures, but it still took time and was a long, drawn-out process. Week in, week out, brands such as Décathlon adopt the Nativa model. For context, Décathlon is France's biggest textile producer. That's right, Décathlon, France's largest textile producer. People are unaware of this. You heard it first! Décathlon use lots of products and wool for their performance products like sport t-shirts and a full range of other items. Basically, we really accelerated the shift. Whereas, before, units involved tens of tons, gradually, we are talking hundreds if not thousands. That's no mean feat. Chargeurs is the exclusive supplier, worldwide. That's right – exclusive! Globally! Now we must deliver. So far, so good. We shifted focus from revenue lacking profitability and a future outlook to revenue not only more lucrative but also taking time to achieve performance.

Great. That concludes today's call. Thanks to all our listeners. Talk soon! Our next publication in November will present the Chargeurs group Third-quarter 2022 revenue. Have a good rest of the day! Thanks for listening.

Likewise, thanks to all our listeners.

Operator

Thanks for participating in today’s conference call. You may now end the call.