24Q2 Transcript

Presentation

Geoffroy Raskin, Investor Relations

Good afternoon, everyone, and thank you for joining us today. This is Geoff Raskin from IR. I'm pleased to have Gustavo, our CEO, and Geert Peeters, our CFO, with us today to present the first half-year results.

Before that, let me remind you of the safe harbor regarding forward-looking statements. I will not read it out loud, but I will assume you will have duly noted it. You're well aware that since 2022, our P&L is based on continuing operations, which consists of our Core Markets activities only, while the Emerging Markets are reported as discontinued operations. We have already divested more than half of these, and we are working on strategic options for the remaining. Meanwhile, these activities continue to contribute to our results, and to the presented debt and cash flow figures in particular. Please note that since the start of the year, we have changed the definition of free cash flow to reflect free cash flow after financing, and the operating savings, in our EBITDA bridge, to a net figure, after subtraction of implementation costs. With that cleared up, Gustavo, over to you.

Gustavo Calvo Paz, CEO

Thanks, Geoff. I'm proud of the Ontex teams with a consistent delivery in quarter 2 as in quarter 1, allowing me to present strong first half results. This gives me confidence in delivering a strong year and brings us another step further on our transformation journey.

Our first half results are summarized on Slide 4. We continue to strengthen our competitiveness through more efficient operations, coupled with our strong sustainable innovation pipeline. As a result, we have achieved a 3% like-for-like revenue growth driven by 5% volume and mix growth. The adjusted EBITDA margin rose to 12%, delivering an adjusted EBITDA 31% higher than a year ago, driven by volume growth and continuous strong delivering on the cost transformation program. The resulting adjusted EBITDA was converted in significant free cash flow of €43 million versus an outflow of 29 a year ago. These allow us to further strengthen our financial position. Free cash flow and M&A proceeds brought net debt down by 12% and combined with a strong adjusted EBITDA brought our leverage ratio to drop from 3.3x at the start of the year to 2.5x by June. On the next page, we summarize the further progress on our Ontex transformation journey.

As we have expressed multiple times, our vision is to be the number one trusted partner for our retail and healthcare customers. Our leadership position in Europe is well-established in the three categories that we serve, baby, feminine and adult care. In North America, we are rapidly growing toward this position in baby care first. We have made further progress on the portfolio refocusing with the finalization of the divestments of the Algerian business in April and Pakistan in June. Meanwhile, we continue to work out strategic options for the Brazilian and Turkish operations. To create value, we identified three main drivers, and in each of these, we have made further progress in the first half. First: competitive and sustainable innovation. In May, I already talked about Ontex being recognized as an innovation leader in Belgium and the roll-out of our new line of swim pants and our latest tampon innovation. Since then, we have launched our new stop-and-lock anti-leak technology for baby diapers and our new line of youth pants. In May, I also talked about the recognition we received for our efforts with the Carbon Disclosure Project. We continue to keep sustainability at the core of our product innovation pipeline. We are proud to support Woosh with the recycled diaper technology as they recently announced further progress in their commercial closed-loop diaper project. Our second value creation driver: business expansion, with the biggest opportunity in North America, where we envision a strong double-digit growth this year and beyond, which we did achieve in quarter 1 and quarter 2, and we are preparing new launches in quarter 3 and quarter 4. Furthermore, we continue to generate double-digit volume growth in

selective categories, such as adult and baby pants. And the third value creation driver: best-in-class operations. With further progress in our cost information program and gradually transforming our supply chain to best-in-class. Scrap rate, overall equipment effectiveness, and service level improved further, and *[we have]* we reduced our operating cost base by 5%, as we did in the last two years. In June, we announced the intention to restructure our Belgian production and distribution activities. While these are difficult decisions to make, it aims to strengthen our operational cost efficiency across Europe, enabling us to strengthen our competitiveness further.

Moving now to Slide 6. You can see here the quarter-on-quarter evolution of the adjusted EBITDA since 2023. In the first half of the year, the adjusted EBITDA margin, on the orange line, has increased to 12%, 2.6 percentage points up compared to the first half of 2023, and 2 points compared to the second half. It has also further increased within the period, reaching 11.5% in the first quarter and 12.5% in the second quarter. Combined with the revenue growth, the absolute adjusted EBITDA, in the blue bars, is up 30% year-on-year in the first quarter, and up 32% in the second quarter, marking the eighth consecutive year-on-year increase. With this, I leave you with Geert for more in-depth view.

Geert Peeters, CFO

Thank you, Gustavo. Let me go into more detail in the elements that drove our results, starting on Slide 8.

In this graph, you can see how revenue has grown from the first half of 2023 to the first half of 2024. Revenue grew 3% like for like in the first half of 2024, driven by 5% volume growth, both in Q1 and Q2. In North America, volumes grew strong double digit, as Gustavo explained, based on baby care contracts secured last year, and contracts in the first *half* year ramping up. Volumes in Europe *[were slightly down, thanks to strong sales in adult care. Sorry]* were slightly up, of course, thanks to strong sales in adult care. In this category, we benefit from contract gains and higher demand supported by demographic trends. In baby and feminine care, overall demand was weaker, but retail brands are performing relatively better. As expected, prices came down by some 2% on average, and more in particular in baby and feminine care, whereas they were more resilient in adult care. This explains why adult care revenue is up 11% like for like, whereas the other categories are slightly decreasing. Forex had no meaningful net impact.

Let's move to EBITDA on the next slide. The adjusted EBITDA rose 31% year on year, and let's go through the building blocks step by step. First, there is a positive impact from volume and mix. We expect that impact to grow, thanks to our relentless focus on gaining competitiveness. Most important driver remains our structural cost transformation program, which continues to deliver important net operating savings, bringing 5% operational efficiencies. Coupled with *[sustainability]* sustainable innovation, this allows us to strengthen profitability and competitiveness, serving customers better and managing prices, to invest in future growth. Costs were overall flat, with a positive raw material impact, thanks to year-on-year lower indices, offsetting continued cost inflation of other operating costs, such as energy, distribution, and wages. Note that raw material indices are up again since the end of last year, and that positive year-on-year impact will gradually decline. SG&A came out at 10% of revenue, impacted by inflation and by actualizations of incentive provisions. As Gustavo already explained, the adjusted EBITDA margin thereby increased to 12%.

And on the next slide, I will discuss the P&L below the EBITDA level. The finance costs came out slightly higher, despite lower indebtedness and margins, due to net exchange differences in financing activities. Taxes were lower, as we recognized tax assets for an amount of about €10 million. This is consequent to consistently achieving our financial plans, and thus confirming our future profit prospects. This led to an adjusted to an adjusted profit from continuing operations of €41 million, well up compared to €12 million last year. We made adjustments for restructuring costs, primarily those related to the intended restructuring of our Belgian operations. We currently have taken a provision of €37 million, reflecting the potential redundancy costs according to the Belgian legal requirements. There were also €4 million related equipment impairments. Note that we were not able to make a reliable provision for a social plan on top of this, as currently the info

and consultation round is on-going, and negotiations only start later. The profit from continuing operations thereby was €10 million. Discontinued operations ended with a loss of €(15) million. Adjusted EBDA nevertheless was positive at €20 million. Reason is a non-cash impact, as a consequence of the divestment of Algeria and Pakistan. This divestment led to a €(21) million P&L impact of historic currency translation adjustments. These so-called CTAs reflect the forex valuation effect on foreign assets and are posted year-on-year in equity on the balance sheet. At the time of disposal, these CTAs are recycled through the P&L. Combining the results of continuing and discontinued business led to a limited loss of the period for the group of €(6) million.

Let's now move to the cash flow side of our financial results. In the first half year, we managed to generate a free cash flow of €43 million, which is a substantial improvement compared to the outflow of €29 million last year. We start from an adjusted EBITDA of the group amounting to €130 million, consisting on one end of the Core Markets for €110 million and on the other end of discontinued Emerging Markets for €20 million. Working capital needs were €12 million, while the underlying working capital efficiency improved. Inventories were up to support the volume growth, especially in North America, where new contracts require us to anticipate filling the shelves at the start of the contract, but also to support the footprint adjustments and investments in Europe. Payables compensated this to a large extent, thanks to better negotiated payment terms, which is also part of the cost transformation program. CapEx amounted to €38 million. This is lower than last year, but this is due to phasing of payments. As you remember, we announced that we planned a significant increase in the CapEx level in 2024, to support business growth and also the cost transformation program. We're still committed to do this, and these payments will catch up in the second half of the year. Restructuring cash-out was €5 million, mainly related to divestment costs. The anticipated restructuring costs for the intended footprint optimization footprint optimization in Belgium, once confirmed and negotiated, is only expected at the end of 2024 and in the course of 2025. Financial cash out was €17 million, well below the €33 million of last year, due to lower indebtedness and lower interest margins. Moreover, last year *the* financing costs were paid at the time of the RCF renegotiation.

What does all this mean for the debt position? Net debt reduced by €77 million, or 12% over the first half, to €588 million, thanks to the free cash flow, but also thanks to M&A proceeds of €34 million. The latter comprises €25 million of proceeds from the divestment of the businesses in Algeria and Pakistan. Note that this amount is the enterprise value, excluding the cash, but that still taxes have to be paid in Q3. Moreover, the M&A proceeds include €8 million received from the acquirer of our Mexican business last year, as a deferred payment, and still an amount of €19 million is expected to come. Gross debt reduced even more, by €86 million, as we are also optimizing our cash position. Our use of factoring facilities remained largely stable at €170 million. It's a limited increase of €6 million versus the end of last year. Our debt structure is thereby solid, with 17% lease liabilities, 77% high-yield bond, which is maturing mid-2026, and only 4% of revolving credit facility, which matures end-2025. End of June we have only drawn 13% of that revolving credit facility.

That solid position can also be seen in our solvency and liquidity indicators on the next slide. The leverage ratio presented as the bold orange line has been continually coming down since September 2022, and dropped below 3x in the first half year to 2.5x at the end of June. The drivers of the solvency strengthening have also been presented on the chart, with a decreasing net debt, as the green line, and increasing last-12-months adjusted EBITDA, as the blue line. This adjusted EBITDA reached €236 million, and excludes the businesses of Mexico, Algeria, and Pakistan, as from the date of their effective divestment. Our liquidity position also improved further. We have now €370 million liquidity headroom, consisting of €160 million in cash, and €210 million undrawn on the revolving credit facility. It's needless to say that with these figures, we fully comply with a large headroom for the bank covenants. I now hand you back to Gustavo for the outlook.

Gustavo Calvo Paz, CEO

Thank you, Geert. While I'm pleased about the further progress we are making on our transformation journey, we acknowledge that much is still to be done. The delivery so far has given

us strong confidence in the rest of this year. And consequently, we have revised our outlook upward across all metrics, as we can see in the slide 15.

We expect our Core Markets now to grow revenue between 4% to 5% like for like in 2024, higher than the low single digit announced in February, driven by new contracts in North America and in selected categories. The adjusted EBITDA margin of our Core Markets is anticipated to end at 12%, more than 2 percentage points higher than in 2023, with our cost transformation program as the main driver behind the profitability increase. Looking at the Total Group, we expect free cash flow to end up higher than €20 million, a strong improvement year on year, and this with a sufficient headroom for investment in CapEx and restructuring. And finally, in February, we expected our leverage ratio to drop from 3.3x at the start of the year to below 2.5x by year-end. And with this, Geert and I are ready to answer your questions.

Q&A

Geoffroy Raskin, Investor Relations

Before handing over to the operator, could I ask you to state your name and firm, and limit your questions to two at a time. If time allows, we'll do a second round for additional questions, and if not, feel free to contact IR afterwards. Operator, over to you.

Operator

Thank you very much. *[Operator Instructions]* Our very first question today will be from Charles Eden of UBS. Please go ahead, your line is open.

Charles Eden, UBS

Hi, morning, everyone. I'll limit myself to two, as promised.

So on the 2024 like-for-like sales guidance raise for Core Markets, would it be fair to assume that's effectively driven by better than anticipated momentum in North America, where it looks like you're growing volumes to the 40% plus in Q2. And does that mean you're winning additional contracts in the quarter, which might see that growth accelerate actually in the second half of the year?

And then, second question, a bit more sort of medium term, longer term. And I appreciate these targets were presented by the previous CEO, but Gustavo, you were on the Board during this time, so I suspect you're more than slightly involved in shaping these objectives. But when these were presented, there was a target of 2% to 3% like-for-like revenue growth, 12.5% to 13.5% margin in Core Markets and a leverage ratio less than 3x. At the time they fell a long way away in 2021, but I guess you're there on two of these metrics or will be by the end of the year and not far away on the margin. So I guess the question is: what are the expectations? What are the ambitions now, particularly on the margin side over the medium-term for Core Markets? And then also leverage, I guess, you'll be under 2.5x by the end of the year. What are you thinking about cash? Yes, invest in the business, but is it, are you thinking about bringing a dividend back next year? Maybe you could also talk on use of cash. Thank you.

Gustavo Calvo Paz, CEO

All right. Thank you Charles. I appreciate the question. I'm going to try to address little by little.

North American growth, yes, we continue making further progress in North America and the answer would be yes. We expect quarter three, quarter four, to continue with our strong double-digit growth. So there is, and also not just in quarter three, quarter four, but to continue in 2025. So this is a huge amount of efforts that we are doing there. We are approaching our customers in the right

way. We have the support of them and are investing in the business, investing in innovation, and it's going well. So yeah, we expect to continue to grow strong double-digit growth.

In terms of the margin - and I'm going to leave the cash answer to Geert - in terms of the margin *[so we are, while we are in margin]* in Core Markets, while we are building the scale in North America, it's very nice to see how we are definitely improving our margins also in North America, while we're building that scale. We need to be patient because we are investing in capacity. That means that we have a start-up cost. That means that we have to grow our business while building the scale that helps on the profitability side and then making North America contribute [*to*] in an accretive way *[in the future]* in the future months to come and years to come. So in that way the core business, North America and Europe, will continue to improve our margins. That is the expectations. So it's growth in North America is a big driver, definitely.

Geert Peeters, CFO

Now, from my side, on your question, Charles, related to the leverage and the cash, as you know, the 2023 to 2025 plan, to which we are highly focused, is fully focused on the fact that we want to improve significantly our competitiveness with the purpose to have long-term value creation. So, for this year and next year, we are still fully in that program. So, we want to use the cash as much as possible for the investments, for the restructuring. You know that there are still some cash-outs coming, of course, as I explained in my exposé. At the same time, we strengthen the balance sheet, that you see also in the leverage ratio. And if we take all together, the end goal for us is indeed to have a significant sustainable cash flow in the future at that moment. And then we're at the end of the 2025 program. We will reconsider dividends, which is, of course, part of that long-term value creation story that we're currently building.

Charles Eden, UBS

That's very clear. Thanks for the detailed answers.

Operator

Thank you very much, Mr. Eden. We will now move to Fernand de Boer of Degroof Petercam. Please go ahead, sir.

Fernand de Boer, Degroof Petercam

Yes. Good afternoon. Thank you for taking my questions. I have two questions.

One is on the gross, sorry, on the real raw material cost, you had a benefit in the first half, accelerating from the first Q1, accelerating in the second quarter. So, what could you say about commodity costs more in the second half?

And then in your assumption for, let's say, top line growth, the like-for-like sales growth moving to 4% to 5%, meaning acceleration in the second half. What is your assumption of price? Because in the, I think, in the second quarter, price was -3%. In the first quarter, it was -1%. So, what should we take there? And -4% maybe in Q3 and then gradually getting better a little bit, or what's your assumption there?

Geert Peeters, CFO

Hi Fernand. I will take the first question and then Gustavo will tell you something about the sales growth guidance.

On raw material costs, indeed, it's always a bit of a mixed picture, but we see that they're gradually increasing. Of course, that's fully included in our forecasts that we are updating month on month, and which we closely always discuss with our sales teams. So that means that, as I said, we believe that the positive impact year on year will gradually decline. But for us, it's a normal evolution. We're

not talking anymore more on big changes, as we have seen during the COVID period. This is a normal trend, and we are resilient enough to absorb that and to have sales prices that are aligned with the evolution in the markets.

Gustavo Calvo Paz, CEO

Very good. In terms of the revenue for the second half, your question. Perhaps first on the price decreases, first quarter and second quarter, we have been managing prices, actually, perhaps even better than expected. And we will continue to do that. The prices are responding. So raw material cost going down or up is one of *[few]* several inputs on the pricing strategy. And we respond, and we manage the prices based on, depending on the categories, depending on the evolution that we're seeing, the competitiveness. And when we are saying that we are looking after growing in selective categories, it's because where we feel a strong position in those where we have more competitive advantage, and then managing prices is also related to that, to our competitive position. So, we don't foresee any bad surprises. On the contrary, we are managing very well our pricing strategy in the market so far, and we expect that to continue.

Fernand de Boer, Degroof Petercam

Do you already then see some, let's say, ease at competition that you are less promotional, as you indicated after the *[first half]* full year, as showed in Q1?

Gustavo Calvo Paz, CEO

Fernand, if you apologize me, can I ask you to speak louder or closer to the microphone? Because we barely hear you.

Fernand de Boer, Degroof Petercam

Sorry. Compared to the previous quarter, you mentioned the high promotional levels at A-brand players. Do you already see some changes there, or do you see them actually getting more aggressive?

Gustavo Calvo Paz, CEO

Okay. So there are two distinctions, right? Because I thought that you were talking about our prices. On the A-brands, it's about the retail brand competitiveness in the store against the A-brands. The A-brands are doing promotions and they continue to do. I'm sure that you have listened also to the A-brands announcements. They have lost some market share in the market place … during the last year, year-on-year comparison, and therefore they are looking forward to recuperate that. And they are doing some promotions. How heavy they are going to be in the second half of the year, I don't know. I cannot say that. That is in the hands of the A brands. But also the competitiveness on shelf, it's related to the retail brands versus them. But not always retail brands compete on the A-brands. So it's also the competitiveness between retailers. So that dynamic, it's all what it takes for us also then to manage our prices. It's a market dynamic. You don't see anything especially happening different than the normal course of the business.

Fernand de Boer, Degroof Petercam

Okay. Thank you very much.

Operator

Thank you, sir. Sorry for interrupting you, sir. Our next question will be coming from Karel Zoete of Kepler Cheuvreux. Please go ahead.

Karel Zoete, Kepler Cheuvreux

Yes. Good morning. Thanks for taking my questions. I have two questions.

The first one is a follow-up on, basically, on the North American market. We see at competitors things are tough. At the same time, you and others are adding quality, like First Quality and so for other players. How do you see supply demand in the North American market shaping up over the coming years? And are you and others basically banking on a significant shift of market shares in the years ahead in the North American market?

And the other question is more a housekeeping one on expectations for H2. First one is on interest costs. Those are still high in H1. What should we expect for the second half of the year? And also looking at the P&L, did I understand that we should anticipate potentially more exceptional costs in the P&L for the second half in relation to the restructuring in Belgium?

Gustavo Calvo Paz, CEO

Thank you. I'll take the first one.

So thank you, Karel. How do we see North America supply demand? Well, yes, existing competitors in the retail brand. We are focusing today in the baby care first and we have several opportunities to grow our business. There is a trend, a very good trend in terms of that we are building with the customers on building retail brands stronger, more strategic management of the retail brands. And that is giving more room to grow to the retail brands. And we are participating in those discussions, and we are part of those new businesses that the retailers are building. *[So, we are seeing not just]* Our growth today is coming from a market share growth from our side. We have a low market share. We're growing our market share in our market share within the retail brands. But definitely it will impact in the retail brand segment as a whole, and to start growing that retail brand segment. We are talking now specifically, we are focusing baby care. So how do I see it? I see it very positively.

On your second *[questions,]* question, Geert will address them.

Geert Peeters, CFO

So Karel, thanks for your questions also.

First one … Let me perhaps start with the second one because the first one we can derive from that one. Indeed, as I told during the presentation, we probably, if the intention is confirmed based on the consultation information rounds in Belgium, then typically, as you know, there's a negotiation on a social plan, which is on top. And that on-top provision has not yet been taken, because we even didn't start negotiations, and we cannot make any reliable estimates. So that's included. And included, I mean, there is no provision made. But at the same time, of course, we give a cash flow guidance. That cash flow guidance is based on the better results we have. And we foresee a headroom for what will still might come in cash flow in 2024, which will be only part of the amount, of course, because the plant of Buggenhout, the wind down will be on a much longer period. Also partially Eeklo, but it will be partially 2025 also. We will give more visibility on it when it's clear, of course. So that will be in the coming months.

And what does it mean for the interest costs? We are at €588 million net debt. So, you can derive from the free cash flow that, in the second half of the year, we will have a limited minus to come to that €20 million or above. So, the net debt will probably slightly increase. But at the same time, our margins will become much better because, as you know, on the RCF, we have a margin grid, which is dependent on the leverage ratio. And we're now in the category of the 2.5x, which comes with much better margins.

Karel Zoete, Kepler Cheuvreux

Okay, so far that's helpful. Thanks, Geert.

Operator:

Thank you, sir. *[Operator Instructions]* We'll now move to Markus Schmitt, calling from Oddo BHF Please go ahead.

Markus Schmitt, Oddo BHF

Yes, thanks for taking the questions. I have two.

So first of all, could you please maybe provide an update on the Emerging Markets asset sale process and timing?

And also, if you think that the 2026 bonds will be refinanced anytime soon, given the good operating performance, or is the bond refinancing rather something for next year? Thank you.

Gustavo Calvo Paz, CEO

Okay. I'll take the first one, Emerging Markets. Sorry, the timing, so we're still expecting the timing for the two remain Brazil and Turkey during this year. And we continue progress. *[We always be looking]* We're always looking for the value for the shareholders. And yeah, we expect to finalize during this year.

Geert Peeters, CFO

And then on the refinancing, yeah, I always repeat also the fact that the maturities are still far away, of course, because the high bond it's in two years, it's mid-2026 and the RCF is end-2025. We're very focused, as I said, on further realizing our plan, improving the operational performance, strengthening the balance sheet. We're very pleased that it was also reflected in the first half in better ratings as well. Standard & Poors and Moody's upgraded us. We hope that there's more room in the future. We will see what will happen because the improvements we're doing, will probably also not get unnoticed by them. So that's why we are not very, we don't feel it as an urgent, urgent necessity to do the refinancing in a very short-term. And for the rest, we're very confident on the refinancing ourselves. We have very good relations and support from our long-term relationship banks. Also the sounding in the markets, we hear it's good. So we're very confident that we, at the right moment, we do the refinancing.

Markus Schmitt, Oddo-BHF

Okay. Well, understood. Thank you very much.

Operator

Thank you very much, sir. Our next question will be coming from Rebecca Clements of Fidelity International. Please go ahead.

Rebecca Clements, Fidelity International

Hi, can you hear me?

Gustavo Calvo Paz, CEO

Yes, yeah.

Rebecca Clements, Fidelity International

Hi, just to follow up on the previous question about the refinancing, do you have any specific ratings targets you'd like to achieve or any specific leverage target you'd like to achieve before attempting a refinancing?

Geert Peeters, CFO

No, we don't have a specific target. We, yeah, based on what we're doing now, we will just further strengthen in leverage. So based on our guidance of the EBITDA, our LTM EBITDA will further improve so it will further drive down the leverage ratio. We don't have a specific target, we will be very happy to be between 2x - 2.5x further in the coming periods.

Gustavo Calvo Paz, CEO

And the credit ratings.

Geert Peeters, CFO

And on the credit ratings, there, yeah, that's why I said that we hope we can take an extra step and we will see. It's up to us to convince the rating agencies to notice the big improvements we're making and the cash flow generation of course because it's all about also showing that we manage to deliver a sustainable cash flow.

Rebecca Clements, Fidelity

Okay. And then just a couple of housekeeping questions with respect to the €37 million of provisions that you've taken for Belgium. *[How much of that do you]* Will that actually be €37 million of cash outflow is my first question. And then how much of that do you expect to pay out in 2024 versus tipping over into 2025?

Geert Peeters, CFO

Yeah, the €37 million, yeah, it's also based on assumptions of course, because we announced an estimated number of people but it remains an intention and even based on the final outcome also the number of people can always change a bit, or people leave themselves and all that. So it's based on assumptions. So the final outcome will be more clear in the coming months. And yeah, we don't have a very specific estimate for the cash-out that will come this year. It will be part, but it's, Yeah. We have ...

Gustavo Calvo Paz, CEO

Rebecca, we have to make sure that we understand that we, so far we announced, and the intention and information and consultation period of time is the one that we are living today. And we still have that information consultation period of time towards the end of August. Therefore there is no way that we can do any appropriate estimate more than the ones that we have announced.

Rebecca Clements, Fidelity

No, I understand that. I'm just wondering if from a timing perspective, I mean let's just assume that it's €37 million cash out. Would it be more heavily weighted to be paid out in 2024 or probably more likely to be paid out in 2025?

Gustavo Calvo Paz, CEO

Based on the intention announced so far, the execution of the two plans, one is going to be between 2024 and beginning 2025 and the second one is second one is going to be more during 2025. Execution of that intention.

Rebecca Clements, Fidelity

Okay, that's helpful. And then your leases were a little bit higher. I think this one, your carrying value was, I think €115 million at year end. And I think I saw on the slides it's €130 million is your carrying

value of leases on the balance sheet currently. Are you adding leases or is that just something that's reflective of rates?

Geert Peeters, CFO

Yes, the leases. Yes, there's nothing particular. It's a recalculation. We didn't add very big new assets. So it's for us, yes, a limited amount, yes.

Rebecca Clements, Fidelity

Okay, and then last question.

Geert Peeters, CFO

Nothing specific to mention, yes.

Rebecca Clements, Fidelity

Thank you. And then the last question is just you talk about being very focused on your 2025 plan. In a perfect world, what would be the amount of CapEx you'd be able to spend, given where you want to take the business? Is it, would you want to spend quite a bit more than you currently are ideally for growth reasons? Or are there some timing constraints on that, away from the fact that you're obviously still very focused on the balance sheet as well?

Gustavo Calvo Paz, CEO

We're not at the stage that we're giving any guidance for 2025, right. But what we said in some time ago is that we have a 3 to 5 year plan that is a first part of 2023, 2024, 2025. The first three years that we're going to require investments and a strong investment from our part in terms of, in two major areas. One in operation efficiencies, that is mostly in European focus. And then the second piece, big piece is the growth in US. But Rebecca, I hope that you can apologize us, but we are not giving guidance yet to 2025.

Operator

Thank you very much. We'll now go to Fernand de Boer, calling with a follow-up question from the Degroof Petercam. Please go ahead.

Fernand de Boer, Degroof Petercam

Yes, thank you for taking my question. I have one follow-up question, actually the first question on the margin beyond maybe this year and beyond the 12%. Do I understand your answer correctly, Gustavo, that you say actually we will see margins going up in Europe and in the US, but due to the stronger growth in the US where we will have a little bit lower margins for the time being, actually the margin of 12% is it, and you should maybe better look at absolute EBITDA growth than specifically on higher margin than the 12%.

Gustavo Calvo Paz, CEO

You have a good view, Fernand, so that's correct. I would add also to that assessment that you have done, I would add also that as we are growing in top-line and we plan to grow in EBITDA, in adjusted EBITDA, but of course that the top-line growth in the second half of the year is stronger and that will of course in the equation, in the margin also is another piece of the equation that you have done. But you are very well set.

Fernand de Boer, Degroof Petercam

I have one financial question. If I read your comments correctly, then you have quite a big net cash position in Emerging Markets, but still you have a negative interest line. Where does that come from?

Geert Peeters, CFO

Negative interest line in the Emerging Markets. It's a difficult question, but one of the reasons

Gustavo Calvo Paz, CEO

It's Emerging markets or it's …

Geert Peeters, CFO

Now one of the things in the Emerging markets is that the hyperinflation in Turkey, it's booked as a financial, the difference, the recalculation is booked as a financial cost. For example, that's one of the important reasons why we have a financial cost.

Fernand de Boer, Degroof Petercam

Okay. Thank you very much.

Operator

Thank you, Mr. de Boer. Ladies and gentlemen, we have time for only one more question. That question is going to be a follow-up question from Karel Zoete of Kepler Cheuvreux. Please go ahead.

Karel Zoete, Kepler Cheuvreux

Yes, good morning. Thanks for this.

On the restructuring in Belgium, can you speak a bit more about the benefits and not only about the cost? What kind of payback do you see on these interventions you make?

And the other thing is maybe on the currency situation that Fernand touched upon. Suppose you would sell the Turkish and Brazilian business, would we also have this adjustment of the currency? Would we see that in the equity or in the profits? Thank you.

Gustavo Calvo Paz, CEO

Okay. Very good, Karel. I take the first one and leave the second one for Geert.

On the, the first thing that I would tell you on the benefit is this is for reaching more competitiveness and more efficient operations across Europe footprint. And to your question about the payback, you were very specific on that. I don't have the answer. I can't disclose a specific answer to you, but I can tell you that, and I said it in other analyst calls, that we as management of the company, we do all the time, we look after approving investments and moving ahead on investment, our criteria is for those investments that they have three or less years in payback. In this case, it's not that we are doing that analysis. We don't know the cost of this investment, but that is the intention, is to improve our operational efficiencies in Europe as a whole, the footprint. That's responding to your first question. Second?

Geert Peeters, CFO

Yes, then on the second question of the CTA and the cumulative translation adjustments, yes, a good question, also a very relevant one. If you just take our balance sheet and you look as part of the equity, then you see the amount as a negative amount, which is on our balance sheet related

to the CTAs, which have not been realized, and it's an amount of about €210 million, which is related mostly to those Emerging Markets. So that means that if that materializes, that those amounts will also be in the P&L, but of course, as you know, it's a technical accounting thing, because there's no cash impact at all. We have seen that in other press releases over the last days, that there are other market players going out of Emerging Markets who also have a lot of CTAs, so it's something quite common.

Karel Zoete, Kepler Cheuvreux

Yes, okay, thanks for that. Many thanks.

Operator

Thank you very much for your questions, sir. Ladies and gentlemen, that will conclude today's question and answer session. I'd like to call back over to Mr. Gustavo Calvo Paz for additional or closing remarks. Thank you.

Conclusion

Gustavo Calvo Paz, CEO

All right. Thank you very much for your questions, which I hope we have addressed properly, and for your support, that means a lot to me. Let me leave you with a final remark. The teams behind these results are working very hard, day by day, and the quarter-on-quarter sustainable success are giving them huge energy and hunger for more. So have a good day and a wonderful summer. Thank you.

Operator:

Thank you very much. Ladies and gentlemen, that will conclude today's presentation. Thank you for your attendance. You may now disconnect. Have a good day and goodbye.