

25Q3 Transcript

Presentation

Geoffroy Raskin, Investor Relations

Good afternoon, everyone and thank you for joining us today. I'm Geoff Raskin from investor relations, and I'm pleased to have with me Gustavo Calvo Paz, our CEO, and Geert Peeters, our CFO, to present the third quarter 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. And with that cleared up, Gustavo, over to you

Gustavo Calvo Paz, CEO

Thanks Geoff. While market conditions have not been supportive in 2025 so far, our on-going transformation journey continues to structurally improve our competitive position in the market. You can see the benefits of this in the quarter-on-quarter results, where we return to sequential growth. Our revenue in quarter 3 is up 4% compared to quarter 2, driven by volumes from new contract wins, in a continued soft market environment. Our EBITDA margin improved by 3 percent points, thanks to the revenue growth and net cost improvement, including continued delivery on our cost transformation program. And meanwhile, our leverage remained at 2.7 over the quarter. The soft market environment of the first half year did continue in the third quarter. Therefore, our results are still lower compared to last year. Let me pass you over to Geert for a more detailed financial analysis.

Geert Peeters, CFO

Thanks a lot Gustavo. On this slide you will find the different components that contributed to the 5% year-on-year decrease of revenue in Q3, to reach 445 million euro in the quarter. The price and mix impact was almost nil and contains a limited price investment and a small positive mix contribution. Since mid last year, prices were rather stable, leading to a neutral year-on-year impact. The lower revenue is explained by lower volumes, as in the previous quarters. The drop amounted to 4% and is in line with the contraction of consumer demand in private label in Europe and North America. In adult care, we are growing by high single digits in the retail channel, and we are ramping up capacity. Including the healthcare channel, where Ontex has a high exposure and demand is more stable, overall growth in adult care was 1%. In feminine care we performed strongly, with a volume growth of 5%. And baby care volumes were down 11%, as demand continued to be soft in private label, partly as promotional activities of A-brands continued in certain countries. In North America this was exacerbated by a decline in contract manufacturing. Positive was the start-up of new contracts in North America and in Europe, albeit that some started a bit later in the quarter than originally expected. We also recorded a 1% negative impact from forex, caused by the depreciation of the British Pound, the Australian dollar and especially the US dollar. What this means on a quarter-on-quarter basis, can be seen on the next slide.

In the first two quarters we have experienced sequential revenue declines, by 5% each, but we are now turning the curve in quarter 3, with 4% sequential growth, including a positive price/mix contribution. Volumes dropped in the first quarter mainly due to soft consumer demand, and in the second quarter they came down further, as on top some customers decreased inventories and Ontex faced some supply chain disruptions, amongst others due to the outage in our Segovia plant. Although the market remains very soft in the third quarter, customer destocking is over, and capacity constraints are being solved. Moreover, we gained new contracts that mostly started up at the end of the quarter. Forex had a positive contribution in the first quarter, and turned negative afterwards, mainly due to the depreciation of the US dollar. Now let's move to adjusted EBITDA on the next slide.

On the year-on-year bridge we find the building blocks which led to the adjusted EBITDA of 51 million euro. The revenue decrease had a 6-million-euro negative impact, which is the main explanation for the year-on-year adjusted EBITDA drop. Indeed, as our cost transformation journey continues, net savings for an amount of 16 million euro in the quarter fully offset cost increases. Contributions came from optimizations in innovation, purchasing, supply chain and manufacturing, including the contribution from the ongoing

Belgian footprint transformation. Raw material costs were still up year on year, mainly for fluff and packaging materials, albeit less than in Q2. Actual prices for raw materials have started to stabilize after the peak, but still remain higher than the level of last year. Other operating costs were up, largely due to inflation of salaries, logistics and other services. Furthermore, there are still some supply chain inefficiencies which however are declining. Also, the increase in operating costs is partly offset by lower SG&A costs, which have been adapted to the lower volume level. The margin amounted to 11.4%. While this represents a 0.6 percentage point decrease versus last year, it is a 3 percent point improvement versus Q2. More on the quarter-on-quarter comparison, can be found on the next slide.

We experienced two quarters of sequential adjusted EBITDA decrease, especially in the second quarter. But, in Q3 we have been turning the tide from the Q2 low point, to return to the Q1 level. You can first notice the impact of the revenue evolution, which I described earlier. It is important to see that we have already recovered in the third quarter about 75% of the negative impact of the first half of the year. Net cost started to ease in Q3 versus Q2. Stabilization of raw material costs, and improved supply chain efficiency, allowed our continued cost transformation efforts and SG&A streamlining to flow through. Before I pass the word to Gustavo, let's cover first the leverage and net debt on the next slide.

With solid EBITDA delivery, no material restructuring cash-out, and managing the capex spent, we produced positive free cash flow in the quarter. Net debt for the Group thereby reduced by 9 million to 543 million euro, maintaining a solid liquidity position. The leverage ratio remained stable at 2.7 times, as the lower net debt was offset by slightly lower adjusted EBITDA in the last twelve months. Gustavo will now give more insight into our expectations to further improve revenue and EBITDA in Q4.

Gustavo Calvo Paz, CEO

Thanks, Geert, for this detailed analysis. I want to start saying: in July, we have talked about the several adverse factors that affected our results in the H1, and I shared what we should expect to improve in the second half of the year. So, what happened so far? Quarter 3 price is stable. Negative price carry-over has stopped. New contract wins have started in North America and in Europe. Customer destocking is over. New capacity in high-growth product categories has come on stream. The Segovia plant outage, as well as the packaging material shortage, are over. The temporary measures to mitigate the US tariffs have phased out. And finally, raw materials prices stabilized. The second half of the year has started largely as expected, and we expect this to be reflected further in the fourth quarter, as we can see on the next slide.

Looking at revenue first on the left in dark blue, we have had 4% sequential growth in quarter 3, with positive price/mix, and especially thanks to volumes with the new contract wins kicking in at the end of the quarter. Our current projections indicate that 5% growth in quarter 4 is realistic, based mostly on the volumes from the new contract wins. On the right side, in light blue, we have the quarter-on-quarter evolution of adjusted EBITDA. In quarter 3 we grew by 15 million euro, thanks to higher revenue and improving net cost. In quarter 4 we expect cost to improve further sequentially, with further raw material price stabilization and further operating and SG&A cost optimization. Combined with the positive impact of volume-driven revenue growth we project a sequential increase in EBITDA [by] at least 13 million euro. As a result, we keep our expectations for the year at the same level as in July, as shown on the next slide.

Revenue for the year is expected down by low single digit like for like, and adjusted EBITDA in a range of 200 and 210 million euro. Solid EBITDA generation and working capital management efforts in quarter 4, will drive positive free cash flow further in the quarter, and thereby bring the free cash flow for the year to break-even. Combined with divestment proceeds, this [will] bring net debt down by year end and bring back the leverage ratio to about 2.5 times, which is the level at which we exited 2024. Now let me finish saying, while we are turning the tide sequentially getting back to growth, we have continued to build on the foundations of our operations, as stipulated in our strategic roadmap, resulting in Ontex becoming more strongly positioned for the future. With that, Geert and I are ready to take your questions.

Q&A

Geoffroy Raskin, Investor Relations

Thank you, Gustavo and Geert. For the Q&A session, if you wish to ask a question, please dial the pound key, followed by 5, to enter the queue. If you wish to withdraw your question, please dial the pound key, followed by 6. Please limit your questions to 2 at a time, please. The first question comes from Charles Eden from UBS. Charles, your line is open, please go ahead.

Charles Eden, UBS

Hi, thanks for taking my question. Hi. Thanks for taking my question. I just wanted to dig a little bit deeper into the Q4 implied EBITDA, because I guess to get to the bottom end of the full-year guidance, that means you need to do at least €63 million of EBITDA in Core Markets in Q4. Could you just help us in the building blocks there? Is it just that the phasing of the new contracts are not in the base in Q4? So, when we get to Q4, that comes in and that's the major delta. Are you baking in an improvement in the underlying markets in Europe? And if so, is there anything you're seeing to give you confidence in that? And then link to that, when I think about 2026, is there anything one-off in that €63 million plus, you're saying for Q4, or should we be saying that's the quarterly run rate to expect for 2026? And if so, that implies to around €250 million of EBITDA. So, is that if that's not the right way to think about it, could you help me bridge those factors? Thank you.

Geert Peeters, CFO

Charles, I'll take that question. So, thanks for the two questions. First, on the Q4, if you look at the bridges we made, first of all, your calculation is right. To end at the low end of the EBITDA, we need about €63 million, which is €12 million extra from the quarter 3. How do we think to achieve it? A bit more than half is revenue-related. As you can see, we expect about 5% at least extra revenue compared to Q3. This is mainly related to the new contracts. As we said, those new contracts started only at the end of September: as well contracts in Europe, but at the same time two big ones in North America, that will have a full quarter impact. That will be the main driver. To a certain extent also we're expanding the capacity in adult [care], so that will also help us. And on the market itself, we're not assuming an improvement in the market. So if markets would improve in the last quarter, that could bring us some upside. Then the other half, but it's a bit less than half, it will be mainly cost-driven. On the one hand, we said raw material prices are stabilizing. The impact year on year is still negative, but quarter on quarter, we have a slight improvement again in Q4. And at the same time, we are also reviewing our SG&A. Our activity level is lower. So we want to keep the SG&A at a level which is in line with that lower volume level. And then to translate it to next year, we're still working on the budget, so there's not much I can tell about that. But of course, the new contracts will be a very strong basis for next year. So that will be an important driver for the budget of next year.

Charles Eden, UBS

Okay. Thank you. So nothing one-off. The cost savings in Q4 are permanent. There's not sort of you're phasing some costs into next year. I'm just trying to understand. There's nothing that you're just calling out that would not suggest that €63 million can be a recurring level of profitability. Is that correct?

Geert Peeters, CFO

There are no big one-offs. But at the same time, of course, we adjusted SG&A. It might be that we have to release it a bit more next year. So it's not just copy-paste multiplied by four.

Charles Eden, UBS

Understood. Thank you very much.

Geoffroy Raskin, Investor Relations

Okay. Thank you, Charles. The next question comes from Usama Tariq from ABN-AMRO / Oddo-BHF. Usama, the line is yours.

Usama Tariq, ABN-AMRO / Oddo-BHF

Hi. Good morning to you. Thank you for the opportunity. I just have two questions. Firstly on pricing for Q4. So you indicate relatively stable pricing. Do you see some negative effects from promotional activities still in Q4, and do you expect them to have an impact on you? In general terms, do you think you will be forced into cutting some prices if other brands do very strong promotional activities? And my second question would be: could you kindly also recall what is the restructuring cash out that you still have to do or expect in Q4 or in 2026? Thank you. That would be my two questions.

Gustavo Calvo Paz, CEO

All right, Usama, thank you very much. I'm going to take the first question, and Geert is going to take the second one. On the pricing front, pricing now is stable for us. And when we are talking about stable, it is always stable for us. We are not expecting any changes in pricing in the quarter 4 in our front. You know, no expectations to change our pricing. What can happen in the market, it's a competitive market in this moment, because when the market is in a soft mode, definitely there is more competition. But competition is not just on the pricing front, competition is in promotions, and A-brands are defending that for sure, defending their positions, and also competition from other private label, maybe. But our contracts, they have a pricing already, and we will continue with this, with that pricing. There is no move for us depending on the market.

Geert Peeters, CFO

Okay, Usama. And on the second question, the non-recurring, the good news is that in Buggenhout, which is the plant which we're completely upgrading, we're fully getting up to speed. So new machines have been installed. We expect to have a fully operational plant in a new state, best-of practice state, by the second quarter of 2026. That means also that we will be getting the savings from that one, because it will be an important contributor to the cost transformation. Last quarter, because that also means that we have now the restructuring costs kicking in, last quarter of this year, we are expecting a bit more than €5 million still as non-recurring. And for Q1/Q2 next year, it will be a bit more than €10 million related to that footprint in Belgium.

Usama Tariq, ABN-AMRO / Oddo-BHF

And more than €10 million, I understand, is per quarter. Or is it €10 million in total?

Geert Peeters, CFO

No, no, no, in total, for next year. So the last quarter of this year €5 million, €10 million for next year. And if you add up all the amounts that we already reported in the past year, in line with the provision that we made last year, because we had a P&L provision for it. So it's a cash-out on a provision that we made in our books.

Usama Tariq, ABN-AMRO / Oddo-BHF

Okay. Thank you so very much. Thank you. That would be all for me.

Geoffroy Raskin, Investor Relations

Thank you, Usama. Our next speaker is from KBC Securities, Wim Hoste. Your line is open.

Wim Hoste, KBC Securities

Yes. Good morning everybody. Two questions for me, please. Can you elaborate on the contract book for next year? Are the new recently gained contracts by now fully started up, or are there new contracts to be expected to contribute also into next year? If you can clarify that? And the second question would be on the contract manufacturing business in the US. Can you remind us how big that now is and how you expect that to further evolve in the next few quarters? Thank you.

Gustavo Calvo Paz, CEO

Okay, Wim. Thank you [for] your questions. Contract wins, we do have contract wins this year that kick in towards the end of the third quarter and will continue for the entire 2026 and 2027, in some cases, for sure. And we have won also some new contracts, that are going to kick in next year. So, they are not yet [effective]. There is always a time when the tender happens, you win, and then you start supplying. So we're going to have very good news next year. But, the good news has happened already with the contract wins. So yes, we have in 2026 contracts coming. So, our projections on gains and losses is positive throughout also 2026. The second question you asked [was] about contract manufacturing. And it's an interesting question, because years ago contract manufacturing was the larger business that we had in the US. A starting in 2023, we decided to put more strategic emphasis on retail brands and [the] private label segment. And we started to grow significantly our private label segment, while contract manufacturing is facing more the soft market situation at the moment. So, our contract manufacturing volume is declining as a result of the situation in the general market. So, contract manufacturing is brands that we don't control at all, while in the private sector, with the retailers, we work together with the retailers, on developing their private label for the baby care segment in this moment. So, we're growing significantly in the retail brand business, while contract manufacturing is declining at the moment.

Wim Hoste, KBC Securities

Okay, if I can just follow up on the first question. The contract wins [that] you commented on them for next year, are those in the US market or are those in Europe?

Gustavo Calvo Paz, CEO

Both. Both. Both. There are some contract wins this year for impacting in US next year, and important contract wins in Europe, impacting next year.

Wim Hoste, KBC Securities

Okay. Understood. Thank you.

Gustavo Calvo Paz, CEO

You're welcome.

Geoffroy Raskin, Investor Relations

Thank you, Wim. Our next question comes from Maxime Stranart, from ING Bank. Maxime? Your line is open.

Maxime Stranart, ING Bank

Hi. Good morning, Gustavo and Geert. Two questions on my end as well. First of all, looking at adult care, where the growth is somewhat below what Essity has reported. So if you can elaborate a bit on the reason why the growth has trailed branded products in adult care and how you see this evolving in the future? Secondly, looking at Q4, especially in your guidance, quick math on the bottom end would imply that your margin would jump by more than 200 basis points, and then obviously to 13.5%, a level not reached since at least the pandemic. So, [I'm] quite surprised about such guidance in terms of margin. So, if you could elaborate on that? And following up on Charles' question, is it a level we should see as sustainable in the long run? That would be all from me. Thank you.

Gustavo Calvo Paz, CEO

All right, Maxime, thank you. Our adult care growth in retail brands is high single digit. Which, I would say, is higher than even what the market is growing. So we are very happy and pleased with how we are performing there. And as we said before, more capacity in certain segments or categories, high-growth categories, are coming into stream, so, with good innovation. So, we know that we are going to continue getting wins in the adult care segment in the retail brand. Then you have the healthcare sector for us, the healthcare channel,

which is different because those contracts are much long-term. It's different [because] they are big tenders, normally with the government of big companies in nursing homes. So, those tenders are long-term contracts, and sometimes something [it] happens that in one specific quarter you can have one coming in and another one coming out. And maybe the quarter is not as exact. So, we need to measure healthcare more, at least in a yearly basis, [to see] how we are doing. And the net result of the year is a positive result, also for the healthcare business. So [I] repeat: high single-digit growth in the retail brand of adult care, which is higher than the market growth.

Geert Peeters, CFO

Then for the second question, Maxime. Indeed, if you calculate back for Q4 based on the guidance, you arrive at about 13.5%. Of course, our margins, first of all, as you know, we are a very volume-driven company. So, that means that the volume growth in Q4, and having a better absorption of our fixed costs, will help us with our gross margins. So, that explains the improvement. Now, your question also is to what extent is that sustainable? Of course, there are several components. It's about raw material pricing. I was telling you also about the SG&A. Currently, we're curtailing the SG&A. We are also always, every quarter we have to take positions on what are, for example, the rebates we expect to receive. So it's a combination of all those elements that will give us the 13.5%. So, towards the future, I can say definitely a sustainable margin, which we think we can have in a sustainable way in the future. But it doesn't mean it's for the coming quarters, that you can just have the same answer as before, on the revenue, that you cannot just multiply by 4. That would be more a goal for the future. And it's now a positive combination of different components.

Maxime Stranart, ING Bank

That's very clear. Thank you for the answers.

Geoffroy Raskin, Investor Relations

Thank you, Maxime. As a reminder, if you wish to ask a question, please dial the pound key, followed by 5. And our next question is from Karel Zoete, from Kepler-Cheuvreux. Karel, your line should be open.

Karel Zoete, Kepler-Cheuvreux

Yes. Good morning. Thanks, Geoff. Yes, I have a question on the baby business and the capacity in Europe. And that kind of relates to pricing, because I think the market has been difficult for a while now. Volumes are about 10% down, and you're probably not the only ones suffering. So, how do you see this with regards to capacity utilization in your European platform? And how do you see price negotiations or new contracts into next year, for the European baby business? And the second question is on the reduction of SG&A in Q4. I don't completely understand why it should be down. You're landing a couple of new contracts that probably comes with more commercial efforts as well. So, why would SG&A be down sequentially? Thank you.

Gustavo Calvo Paz, CEO

All right, Karel. I'm going to take the first one. I believe that Geert is going to answer you the second question. Your point is very valid. Because the capacity installed, generally speaking, in the whole European market, is now getting high in some cases. So, but we should not also forget the transformation of the baby care business. So, baby diapers is going down more significantly, while baby pants, although now these past quarter [it] slowed down the growth, but year on year it's been growing, baby pants. So, there is a move from baby diapers to baby pants. Also, within baby diapers and baby pants and youth pants, there is a dynamic that is happening, that is larger sizes. So, there is a transformation, more consumption in larger sizes. This is due to a trend that babies are using diapers for a longer period of time. And when we see each other next, I'm going to explain a little bit even more, because there are very interesting insights regarding that happening. Because that trend is happening not just here but also in the US. It is following something also about aging of the couples, of the parents. Interesting to know. But in our case in particular, we are renewing, as you hear from us all the time, that we are doing footprint work, all the time, investment in efficiencies. So, we use this momentum of more free capacity in diapers to do the adjustments where we need to do it, thinking in the future, thinking in the trends. Then you ask about if this excess capacity cannot impact in the next future contracts and pricing in baby care. And I'm going to say that potentially, yes, if you

just play in the very low end of the segment, definitely. Some years ago, we started to invest significantly in innovation, coupled with our partners or retailer customers. [By] partnering with them in Innovation, we're bringing a lot of innovation into the market. It's very important to take into consideration that it's not just a price type of competition. Also, it's innovation, it's sustainability, it is customer service, it's quality assurance, all those things for which we, as a company, when I mentioned that we are working on our foundations to structurally change our foundations and be more efficient, all of that is included. And that gives us the competitiveness into the marketplace. So we are not just competing on the pricing. We need to be more efficient. Yes, definitely. But also innovative and have high customer service and quality assurance. And of course, the patents and the regulatory is also a very important subject. That's for baby care. Now, I'm going to leave Geert on the second question.

Geert Peeters, CFO

Karel, on the question of the SG&A, first of all, to clarify, if you look to the quarter on quarter from Q3 to Q4, there SG&A is less of an explanation, because SG&A is already lower in Q3. The explanation from Q3 to Q4 in operating costs is more related to the stabilization of raw material prices and gaining further efficiency. Now, on the SG&A itself, when we examine SG&A at a lower level in Q3 and Q4, looking at it and explaining a bit more on why SG&A is lower, for me there are three components. First of all, important for you to understand our SG&A, it's not that if we sell more contracts, we have more SG&A. Our SG&A, it's rather a fixed amount. All the sales teams, all the administration, it's in place. So that means it's a rather fixed cost. It doesn't mean, of course that ... There are three ways to bring the SG&A down. It's, first of all, cost consciousness. It's about how we function, how much we travel in an organization, all that type of stuff. So we are in a very cost-conscious mindset over the last months because of the lower results, which makes it logical that we do that. Second thing is of course, we're looking extra on being a more efficient organization. How can we work more efficiently with the staff we have? So that's the second area. That is, of course, more sustainable towards the future. And then a third component, there's always a variable component, of course, in the SG&A, because part of the remuneration of management, of sales, is a variable remuneration, which is down because of the sales and the EBITDA which is down.

Karel Zoete, Kepler-Cheuvreux

Okay. Very clear. Thank you.

Geoffroy Raskin, Investor Relations

Thank you. The next question comes from Markus Schmidt from Oddo-BHF. Markus, your line is open.

Markus Schmidt, Oddo-BHF

Yes. Good morning, or actually not good morning. Good afternoon. Thanks for taking the question. I have one [question] just on free cash flow guidance. So you had €9 million in Q3. €31 million is therefore left to meet the guidance. You expect apparently strong EBITDA in Q4. And you paid the cash interest on the bond already in July. And you just mentioned that there will be some restructuring costs in Q4. This brings me to about 10 million of contribution from inventory releases in Q4 to meet the guidance. Is this assumption about correct, or do I miss something here?

Geert Peeters, CFO

Markus, I love that you already give 90% of the answer, because indeed the drivers of the better free cash flow in Q4 are EBITDA. It's indeed the high-yield bond coupon. The next one is only in January, so that's an important explanation. Non-recurring, there will be some non-recurring, but it's limited. And then the two other components is ... CapEx, we are, of course this year because our results is less, we are not spending the full CapEx that we intended to do, without hampering the business. Because I can tell you, the key CapEx we need to build the capacity, for example in adult car, of course, that one continues. So we're also bringing down CapEx. And the last element is, like you say, on the working capital. Now, in the working capital, there are always two elements. First of all, at the end of the year you have the typical seasonal impacts. Our inventories are always down in the Christmas period, towards the end of the year, because we produce less at that moment. So that's one of the components. The other component is, you know that we have been talking in Q3 [about] inefficiencies. We solved a lot of inefficiencies in Q3, but having the full impact in Q4.

And that's mainly on an inventory level, we believe we still have a step we will make in the short term on inventory. So your conclusion is quite correct. Good morning.

Markus Schmidt, Oddo-BHF

Almost on target. Great. Thank you very much. Yes.

Geoffroy Raskin, Investor Relations

Thank you, Markus. And then our last question comes from Karine Elias. Karine, the line is open.

Karina Elias, Barclays

Hi. Thanks again for the call and for taking my question. Sorry if you've covered that before, but I'm just wondering if you can comment on the competitive environment and whether you are seeing any changes with regards to the A-brands' behavior on promotional activity. That would be very helpful. Thank you.

Gustavo Calvo Paz, CEO

So, hi Karine. Gustavo here. The A-brands are defending their volumes, and as it was expected from our side. And that is in both regions where we are focusing on: in Europe and in US. But anyway for them, also it's important. The volume is important for every single company here. And in baby care in particular, that is a declining market at the moment. What we are expecting for the future is that we are expecting to continue competing. Private label is a very important business for the retailers. And we are not expecting that this is strategically changing [for the] retailers. So, retailers and I, we are constantly working together on continuously putting in place consumer-driven volume growth for their private label. So, we compete through the A-brands, through the retail brands, and hand-in-hand with them. So, it's going to be competitive, in other words, continuing to be competitive.

Karina Elias, Barclays

That's very helpful. Thank you and good luck.

Gustavo Calvo Paz, CEO

Yes, thank you.

Geoffroy Raskin, Investor Relations

So there are no more questions. And thereby I hand you back over to Gustavo for his closing remarks.

Closing remarks

Gustavo Calvo Paz, CEO

All right. Thanks to all for the questions and the interest in participating in the call. So perhaps I'm going to repeat something that I said earlier during the presentation. That while we are turning the tide sequentially and getting back to growth, we have continued to build our foundations of our operations, as stipulated in our strategic roadmap, resulting in Ontex becoming more strongly positioned for the future. So thank you again. Thank you very much and see you next.

Geert Peeters, CFO

Thank you.

Geoffroy Raskin, Investor Relations

Thanks for joining today's call. You may now disconnect.