Transcript – Kojamo Q4 2023 Financial Statements Release
February 15, 2024

Niina Saarto: Good morning, all. This is Kojamo's full-year results news conference, and I am Niina Saarto Treasury and Investor Relations Director. Today's presenters are CEO Jani Nieminen and CFO Erik Hjelt. Jani will start with the key figures, and he'll discuss the operating environment, whereas Eric's going to dig deeper into the financial figures, and he'll go through the outlook for this year. You can send us questions throughout the presentation via chat and, also in the Q&A, we take live questions from the phone line. If you wish to ask in person, there is a hand sign on the screen. When you click that, you'll be placed in the queue. It's good to note that before you speak, you should unmute the microphone. Now we can move on to the presentation. I would like to welcome Jani to start.

Jani Nieminen: Thank you, Niina, and good morning, everybody. Nice to be here providing colour on what has been going on last year and how the operational environment is. I'll jump right to the page number four and start by saying that we actually had a good result in a challenging operational environment. We were able to grow total revenue, net rental income, and funds from operations. Although there still was a lot of supply in the market, we were able to increase the occupancy and decrease the customer turnover. We are talking about valuation: now, the valuation yield is 4.4 at the end of 2023. It is good to keep in mind that during the last 15 months, we have actually increased the valuation yield requirement by 80 basis points. That yield requirement change, we take that as a separate thing, has had an impact of 1.5 billion euros. On the other hand, at the end of last year, in Q4 figures, the yield requirement came up by 37 basis points, creating a negative impact. On the other hand, as we've been saying in evaluation, we do have several other parameters, and as those parameters were looked at and changed as well, that had a strong positive impact on the evaluation. We'll come back to a more detailed evaluation of what's been done there and what are the positive and negative impacts. I won't dig in further now. I am happy to say that the balance sheet has remained strong. Our financial figures are actually good and strong. After the review period, we issued EUR 200 million private placement. The financial position at the moment is really strong. The saving programme is proceeding according to our plans.

Jani Nieminen: Moving to page five, the operational environment, in a way, is a bit two folded situation. On the other hand, the global economy is uncertain. There are still high interest rates and geopolitical tension globally casting shadows. On the other hand, positive signs like inflation slowing down, employment has remained high, and the rate cycle is estimated to be over. The rate cuts are estimated to start during the first part of the year. If we look at the key industry figures as I said a year ago, we will see a historically low number of new residential startups here in Finland. The number stayed well below 16,000 apartments. We still don't have the official latest figures, but it will be a historically really low figure. Today, estimates are that, for 2024, the number of residential startups will be a bit higher. We don't believe in that. There are no signs at the moment that construction volumes will pick up speed. This estimate is based on high hopes that something positive might happen after the summer. Now, it seems that there is no that kind of sign available. That will, of course, create the impact that we already know, that for 18 months, only a very low number of projects have been started throughout the market. Completions of new residential properties will come down and end. Looking forward, there will be a period when we see no completion throughout the residential market.

Jani Nieminen: In this kind of situation, it's been hard to provide actual data on what's been going on with the construction cost changes. Data says that at least the increase has been levelled off, but there's a very low number of started projects throughout the market, there's a lack of data in the market. It's hard to say where the pricing is going at the moment. Last year GDP was slightly negative. Now, the estimate is that we will see a slightly positive turn there for 2024. Unemployment is still on a low level and inflation in Finland is estimated to come down to two percent.

Jani Nieminen: Moving to page six, it's easy to say that in the rental home business, the underlying megatrends are still valid. We see that urbanisation is ongoing. All the big cities are growing. The strongest population growth in the biggest city areas here in Finland is Helsinki, Turku, and Tampere regions. The so-called growth triangle creates more demand for new homes. At the same time, we still have an increasing number of small households, meaning one and two-person households. With housing trade, home buyers have been really careful. Actually, the economic uncertainty, rising interest rates of mortgages, and low consumer confidence have created a situation where the housing trade volumes are muted in the market. It seems that people are more willing to rent an apartment than to take a housing loan. That creates more demand towards rental homes. Even though in Finland on the national level, we see figures of more than 60 percent of the Finns live in owner-occupied homes. The story is still really different in the biggest cities. Whenever we see new statistics, there's always an increasing number of households living in rental apartments. In cities like Helsinki, Tampere, and Turku, more households live today in rental apartments than in owner-occupied homes.

Jani Nieminen: As said, we did see a historically low number of residential startups last year. Here is a comparison in the lower right-hand corner. Throughout the last decade, it will be the lowest figure, and as I mentioned, most likely be the same kind of figure in 2024. It will create a situation where the rental market balance between supply and demand, looking forward, will change radically. There will be a market situation where, in my eyes, throughout the market, vacancies will go down, and we will see higher rental increases. At the same time, construction companies are really struggling in order to find a way to sell the homes. As there is a lack of customers, they are not able to start building new homes. Hopefully, at some point, there will be a new way of providing homes a bit more affordably. Home prices are a bit high at the moment with the construction cost and cost of the land. This may create a situation where we may see a standstill for a bit longer time.

Jani Nieminen: On page eight, a couple of words concerning the key figures. As said, a really good year in a challenging market. Total revenue grew by seven percent. That's a combination of three angles. Of course, apartments completed in 2022 and 2023. Then, 2023 improvement in occupancy and rental increases. The third angle is the acquisition done during the summer of 2022 which now provided revenues for the whole year. Net rental income improvement there was 6.1 percent, positive impact of course from the revenue growth. On the other hand, we did see an increase in maintenance expenses of EUR 13 million. Two big things there are that heating provided an increase of EUR 4.1 million and property tax is EUR 1.7 million. Funds from operations was EUR 167.2 million, improvements there from comparison year 4.1 percent. Two kinds of positive impacts: of course improvement in net rental income, and on the other hand, the tender offer we did during Q2 last year. The fair value of investment property is now EUR 8 billion, slightly coming down now. Of course, two impacts: On one hand, we still have ongoing projects, a new development project increasing the fair value of investment properties. On the other hand, the valuation impact was now at Q4 EUR -295.4 million as it was on a comparison year EUR 682 million. That actually explains as well why now the profit before taxes was EUR -112 million, as it was in comparison year close to EUR -500 million. Gross investments were EUR 190 million, mainly remaining and ongoing new development projects which provided EUR 160 million. On the other hand, modernisation investments were EUR 31 million. Profit excluding changes in value was EUR 183 million, improving by 0.5 percent.

Jani Nieminen: Moving forward, as said, we don't, for the time being, make any new investment decisions, so we are proceeding with the ongoing projects. At the end of Q4, we had 354 apartments under construction and the cost of completion of these projects was EUR 10 million. After that, we already completed at the end of January one project so two projects are remaining. On the chart in the right-hand lower corner, there are 119 apartments to be completed at some point after 2025. That project has not been started and will not be started the near future, but we do have an agreement with one construction company. One day it might happen, but not today. The two remaining projects are proceeding in a normal manner, so no surprises there. We still have fixed prices, and we start marketing six months before the completion of the project.

Jani Nieminen: On page ten, a couple of words concerning the customer base and our offering. There, it is really important to keep in mind that our aim is to provide the best possible living, to provide added value for our customers by combining apartments, common spaces, and services, whether they are physical or digital. We have to have a good understanding of our customers and their preferences. Here if we look at the figures, we have a really nice match if we consider what kind of housing stock we have, what kind of customer base we have. One and two-bedroom apartments are 73 percent of the housing stock. On the other hand, one and two-person households are roughly 76 percent of the customer base. Then as we've been talking, we are helping people to move towards the biggest cities to start working. People at working ages, I would say between 26 and 64, of the customer base are 73.4 percent. Of course, we do have younger clients like students roughly a bit more than 10 percent. There's a well-diversified customer base.

Jani Nieminen: On page 11, some key figures concerning sustainability. For us, it's been always important that ESG and sustainability is part of Kojamo's DNA and part of all our daily operations. Of course, we are committed to UN sustainability goals, and our target is that our property portfolio will be carbon-free by 2030. We are proceeding well with that target. Actually, the carbon dioxide reduction was really strong last year, close to 17 percent. On the other hand, if you look at the figures in the right-hand upper corner, we talk about digital services 86 percent of our customers use My Lumo services regularly. At the same time, the net promoter score of 50 was really strong last year. Now if Erik would go further and give a bit more detail.

Erik Hjelt: Thank you, Jani, and good morning, everybody, from my side as well. Total revenue growth was seven percent or EUR 28.9 million, and like-for-like top-line growth was 1.9 percent. There we have rent and water charges contributing 1.4 percent growth and occupancy 0.6 percent growth. Completed apartments, and here, I mean 2022 completed apartments as well as 2023 completed apartments, contributed EUR 17 million for the whole year and during Q4, EUR 4 million for top-line growth. Rents and occupancy improvement there contributed EUR 6.1 million the whole year and EUR 1.4 million during Q4. The acquisition that we made in the summer of 2022 contributed to the whole year EUR 4.8 million. During Q4, the impact was muted. On net rental income, maintenance expenses were up by EUR 12.6 million a whole year and Q4 EUR 3.1 million. The biggest growing items there, as Jani mentioned, heating EUR 4.1 million, credit losses EUR 2.4 million, property taxes EUR 1.7 million, water EUR 1.5 million, and waste management EUR 0.9 million. If you look only at Q4, it's worth noting that the start of the winter was very cold here in Finland. We estimate that the weather impact was almost EUR 1 million compared to the so-called average weather during Q4.

Erik Hjelt: Page 14 left-hand side, profit before taxes so I'll come back to this value changes later. If you first look at profit excluding value changes, so SG expenses are up by EUR 2.5 million. There, the biggest growing items was personnel expenses EUR 1.2 million, and ICT EUR 2.1 million. We went live with our new ERP solution and all the money spent there was expensed so including in our PnL. It's good to note that the saving programme as such is proceeding as planned. The impact of the saving programme is coming through 2024. On the right-hand side, of course, FFO and SG&A expenses are the same as in profit before taxes. Financial expenses in FFO calculations grew by EUR 8.8 million.

Erik Hjelt: The financial occupancy rate improvement is one percentage point year-on-year, it was 93 percent, and during Q4, the occupancy rate was 94 percent. If you look at tenant turnover, it declined by 1.6 percentage points.

Erik Hjelt: I think we already covered like-for-like so moving to page 17 with investments. As Jani mentioned, for the time being, we are not making any new investments. There are three ongoing projects, one completed already in January. One will be completed in Q2 and the last one in Q3. In total, EUR 10 million to be invested in order to complete these ongoing developments. EUR 190 million euros was invested last year, and they are all coming from the developments and modernisation investments. Repairs are down by EUR 0.9 million and modernisation investments are up by EUR 4.2 million. In 2024, as part of this saving programme, these figures are going to be at a much lower level.

Erik Hjelt: Then page 18, the fair value of investment properties, the whole year impact was negative, EUR -295 million. Out of that, for Q4, EUR 158 million. There were actually no comparable transactions in the market, and that's why the yield requirements are based on overall evaluation. At the end of Q4, we looked at all valuation parameters, and other changes offset partly the negative impact of yield expansion. If you start looking at the whole path from Q4 2022 up to the end of 2023, the yield expansion has been around 80 basis points and 43 basis points in 2023 alone, out of that 37 percentage points in Q4. The impact of increase in net rental income contributed a EUR 306 million euros. Changes in other assumptions contributed EUR 181 million. We increased the inflation assumption by 20 basis points, the rent growth assumption by 40 basis points, and the expense growth assumption by 20 basis points. We added in our material some additional figures regarding the valuation because we noted that some companies are commenting on different yield requirements, for example. We wanted to make clear that everybody sees what yield and other parameters we use in our evaluation. It's good to keep in mind that all our yields are based on net yields, not gross. They are net yield. On average, if we first look at the net yield requirement for cash flows at the end of Q4, it was 4.4 percent. The exit capitalisation rate was 4.55, and since we applied the 2 percent inflation assumption, cash flow discount rate was 6.4. I said inflation assumption now for 2 percent, rent growth 2.6 and expense increases assumption in calculation 2.5 percent.

Erik Hjelt: Loan to value we have set the target to be below 50. Moody's affirmed our Baa2 rating in December. One parameter there is, of course, loan to value. At the end of Q4, the loan to value was 44.6. If we then look at what buffer we have against the 50 percent level – if only yield requirements changed, we have roughly EUR 900 million buffer against this 50 percent level. That translates into 55 basis points. As seen in Q4 valuation, there are other parameters that play an important role but this calculation was based only on yield requirements change.

Erik Hjelt: Page 20, last year, we were quite active when it came to financing. We made in total financial arrangement of EUR 925 million. We say that 2024 maturing loans are already covered and actually almost half of 2025 maturing loans as well. These EUR 425 million syndicated loans, the second one that's still undrawn. In January, we made an additional EUR 200 million in private placement bond issue. At the end of Q4, we had

EUR 18 million in cash and financial assets, and we had EUR 275 million in unused committed credit lines in place. If you calculate this second syndicated loan still undrawn, the private placement and the fact that the board is proposing not to pay dividend and the saving programme, the impact of those, so almost EUR 800 million to be used to refinance these maturing loans. That leaves roughly EUR 250 million to be in a position where all 2025 maturing loans are covered as well. We are, in that regard, in quite a strong position. Financing key figures are quite strong. Interest-bearing liabilities was in total EUR 3.6 billion. The hedging ratio is north of 90 percent and the average interest rate including the cost of derivatives 2.4 percent. EPRA NRV 18.45, and then the change was due to the change in fair value on investment properties.

Erik Hjelt: Page 23 with our outlook, we estimate that the top-line growth will be between 4 and 8 percent year-on-year. We estimate that the FFO for 2024 is going to be EUR 154 and 166 million in that range. If we first looked at the assumptions behind this top-line growth estimate, completed apartment, meaning 2023 completed, the one completed in January, and the two that will be completed later this year, will bring us around 3 percent top-line growth. Of course, the like-for-like rental growth last year was 1.9. We anticipate that like-for-like rental growth in 2024 is going to be stronger than that. The rent increases and an improvement in vacancy, most likely it's going to have a positive impact on top-line growth on top of this three percent what comes through the completed apartments. FFO guidance, of course, the range echoes the top-line growth guidance. If you look then the midpoint of this FFO guidance, there we included in those figures the impact of cost inflation this year, the saving program, and then the assumption that the remaining part of 2025 maturing loans will be refinanced this year, and earlier rather than later. All these are included in the midpoint of the FFO guidance. The range as such in guidance echoes the top-line growth guidance.

Erik Hjelt: Page 24, our strategic targets are in a saving program mode and for the time being not starting any new investments. That's our action plan for the short term. However, we met all our strategic targets in 2023. Top line growth at seven percent, investments EUR 190 million, FFO clearly above this 36 percent target being 37.8, loan to value of 44.6, equity ratio of 44.5, and net promoter score clearly north of the target so it was 50. As said, we met all our strategic targets, despite the fact that now we are in this saving program mode in the whole package, including not making any new investments for the time being. Now back to Jani.

Jani Nieminen: Thank you, Erik. As summary, it's easy to say that 2023 was a good year in a challenging market. We were able to increase total revenue, net rental income, and funds from operations. The balance sheet and financial key figures remain strong. As said, our saving program is proceeding as planned. We are not making any new investment decisions at the moment, but as the outlook provided information, we are still able to grow the total revenue. We do have the outlook there in place. Last year, we were able to improve the occupancy from the previous year, even though there was supply in the market. Now we know that the population is growing in all the big cities, and at the same time, the supply coming from newly built completions will go down radically. Looking forward, the rental market will be improving all the time. Throughout the next couple of years, we most likely will see throughout the market lower vacancies and higher rent increases. I think the last remaining factor is that, yes, there have been valuation changes throughout the last 15 months. As said, now, all the parameters were checked out, and there were some negative impacts and, on the other hand, positive impacts. At the end of Q4, now, the valuation yield requirement is 4.4. Looking forward with a lot of confidence. Thank you. Now we're ready to move towards Q&A.

Niina Saarto: Thank you, Jani and Erik. Let's first start with the phone line questions. When you hear your name, can you please check that your microphone is unmuted? The first question comes from Kempen's John Vuong.

John Vuong: Hi, good morning. Thank you for taking my questions. In your top-line guidance, you said developments were driving three percent top-line growth so that leaves essentially one to five percent on like-for-like rental growth which is a rather wide range. Could you provide a bit more colour on the split between occupancy gains and rental growth that you expect there?

Erik Hjelt: Sorry for that, the range is wider, but we tend to like wide ranges and try not to provide any surprises there. We do estimate that rent increases are going to be on a higher level this year. We do expect the occupancy rate to improve this year as well. We of course know what rent increases we have done year to date, and they are clearly on a higher level compared to last year. But, as Jani mentioned, the supply-demand balance most likely will improve second half of this year. Then the rent increases most likely it's going to be even higher in the second half of this year.

John Vuong: That's clear. What gives you comfort this would accelerate from the past quarters looking at also occupancy specifically?

Jani Nieminen: As said, we know that throughout the market, only a handful of new residential projects have been started during the last 18 months. We will see completions in the market during Q1 and Q2. During the last two quarters of this year, there will be a limited number of really new supply coming to the market. At the same time, urbanisation is ongoing. All the big cities have population growth in place that creates demand for apartments. At the same time, there's no new supply coming to the market.

John Vuong: That's clear and just to understand the underlying vacancy in Helsinki. Is there any skew towards a specific apartment type? Is there a difference in vacancy between the larger and the smaller apartments?

Jani Nieminen: If we think about the rental supply overall, it's typically mainly one and two-bedroom apartments, so studios and one-bedroom apartments. That's the biggest supply because throughout the market, most often three out of four customers are looking for either a studio or a one-bedroom apartment. Ever since we were past Covid 19, we saw that demand is still the same. People are looking for the same kind of apartments, studios, one-bedroom apartments, and the same kind of micro-locations. Covid 19 did not change the demand in that sense. It's been more like that in certain areas we have seen throughout a couple of previous years, a lot of new supply coming to the market at the same time. Many projects started in the same micro location, and they are completed at the same time. That creates challenging situations with the newly completed apartments and the surrounding older supply.

John Vuong: That's clear. Just to confirm, in your eight percent plus vacancy in Helsinki it's not per se skewed towards two-bedroom apartments?

Jani Nieminen: Of course, in our supply, the biggest portion of rental apartments are one-bedroom apartments, but that's typical throughout the supply and filling.

John Vuong: That's fair. On your FFO guidance, given that you are also assuming that you're refinancing your 2025 bonds, do you consider any gains from a bond repurchase in your FFO guidance?

Erik Hjelt: Not in the guidance, no.

John Vuong: That's clear. Thank you. That's it from my side.

Niina Saarto: Thank you, John. The next questions come from Andres Toome from Green Street. Go ahead.

Andres Toome: Hi, good morning. A couple of questions first one, just trying to understand the long-term incentive plan. We've added credit trading to the plan. I guess: is the intention here to align the performance of the company more with credit investors going forward? Also, a question mark as to why there's no total shareholder return or NAV per share based metric included in the long-term incentive plan.

Erik Hjelt: The thing is that the LTI is based on the amount of shares. If the payout ratio is, for example, 50 percent, it translates into a certain amount of shares. Then, in three-years time, the share price plays an important role in how much money-wise the management receives, so it's embedded in that system in that way. I mean what happens to the share.

Andres Toome: Would it be beneficial to have those metrics also within the scheme itself to be more aligned with equity investors rather than credit investors? Also, I guess, you know, the targets around revenue and just earnings, they're not per share that sort of incentivises the company maybe to grow without thinking about how per share developments go.

Erik Hjelt: The thinking behind these KPIs is that they are set to those KPIs that have the strongest impact for share price in how we see it so top line growth, FFO, CO_2, and investment credit rating. These are the building blocks. These are the most important things that have an impact on share price going forward. Then there is an incentive for the management team members that the share price goes up because the payout is linked to the asset as a number of shares. That's the thinking behind these KPIs. Of course, each company can approach this from different angles. This is the thinking when the board decides on these KPIs.

Andres Toome: I understand, thank you. My second question is around disposals. You have mentioned that you are sort of looking at a moderate amount of disposals. Has there been any progress on that front or how's that going?

Jani Nieminen: Yes, we've been saying that there's a possibility during this year we will make some disposals as a part of the saving programme. On the other hand, as our figures show, the balance sheet is strong, and financial key figures are strong. We are not in a place where we would do any kind of highly motivated sales or fire sale, so we don't have to sell anything. We are following the market, scanning the market, but we may end up selling something if the market acts reasonably. Throughout the end of last year, we knew that there was an appetite in the market, but it was mainly a very opportunistic appetite in the market, wide lowball offers. Why bother to go into that kind of market to sell something if you don't have to? We will see where the market goes. There's still an appetite towards the Finnish residential market. I think looking forward, the interest rate hike is over. We will see most likely interest rates coming down and that will have an impact on the pricing as well. We'll come back to that at some point in time.

Andres Toome: Thank you. That's all for me.

Niina Saarto: Thank you. Then we can move on to questions from the chat. There seem to be some that are not covered yet. You just explained the disposal situation, but if we think about future acquisitions. Compared to what the construction companies are asking about their pricing, what kind of discount would you require before you make new acquisitions?

Jani Nieminen: I think in a way, it's easy to say that today we're not making any new investment decisions. Most likely not tomorrow. Then it's a totally different question of what will be the new normal. I would say as prior that in my eyes, throughout the market, the acquisition cost, meaning the price of the land, the cost of the construction, should come down most likely 20 percent. What is the required yield? It's too early to say. I hope that today we've been able to provide colour on yield requirement that it's not the only parameter in valuation. It's not the only parameter when you make investment decisions. As important parameter is for example: what is the estimate for future rental increases? We have to find a new balance between all the parameters before we make any kind of comments on the yield requirements.

Niina Saarto: Then, a question on valuation. You mentioned that the changes in inflation, rents, and expense growth assumptions increased the fair value by EUR 182 million. Is this something you have to reverse when you go back to so-called normal expenses in repair and maintenance, or is this sustainable level now?

Erik Hjelt: These assumptions that we apply today are assumptions for ten years. That's why we are not changing them every quarter. It's a long-term view. Two percent inflation in the longer term is not that challenging. If we get savings that means in cash flows or stronger cash flows, that of course comes through the valuation. The top-line growth plays an important role, of course the actual maintenance expenses as well, but the top-line growth is clearly a bigger component there. Those changes in actual cash flows are coming through the valuation as they occur.

Niina Saarto: Thank you. Follow-up question on the same theme, rents and rent growth are increased, and that seems to be reasonable. Could you explain the reasoning behind the expectation for lower maintenance, repairs, and modernisation expenses over the long term?

Erik Hjelt: We look at this growth for maintenance expenses from an inflation point of view. They are still higher than inflation expectation. One way to look at this is to use inflation there. Now we are applying a higher growth rate in expenses compared to inflation. The rent growth expectation is based on what we see that is going to happen in the market. Jani already discussed there was basically no new startups in Finland in 2023. We haven't seen any new so far in 2024. Based on discussions with construction companies, many things have to change before they start new developments. That will change radically the supply balance demands going forward. That will be there most likely for quite long. If construction companies are not starting new developments today, something needs to happen. Rates come down and people are willing to take mortgages and so on. That's not in the cards yet. It will take time before the construction companies start to even think of new developments, and then, it takes on average 18 months to complete a started project. That means that there's going to be quite a long time before this new supply is in the market. This should be positive for renting apartments on top of the urbanisation and other things that are providing demand for rental apartments. That's why we look at this rental growth, it's justified to have it on a higher level compared to expenses. If we look what most likely is going to happen in the market, the rent growth assumption could have been even higher than this 2.6 on average what we apply today.

Niina Saarto: Thank you. Moving to the FFO guidance, was it so that it includes the recent bond issue made in January? Does it also include additional refinancing this year to cover the 2025 bond?

Erik Hjelt: It does, yes.

Niina Saarto: Then can you comment on what would be the most significant risk for Kojamo this year?

Jani Nieminen: I would say that typically, in these kinds of situations, companies should answer that refinancing, financing. On the other hand, we are in a good position there. All the financing needs for 2024 are covered. We do have a solid plan for how to cover the maturing loans in 2025. We aim and our plan is to keep Kojamo as a strong company. We have a clear plan there, and that plan is proceeding well. I would say that a theoretical risk would be that something would happen in a rental market, but on the other hand, it's very hard to find a solution where construction volumes would pick up speed radically and provide a lot of new supply to the market. It's always a risk. On the other hand, it's not that probable that it will happen, that the supply-demand balance would not be changing as we predict.

Niina Saarto: Thanks. This is about the secured solvency ratio which was 0.1 at the end of the year. Is it correct that it’s not including the October syndicated loan? If that would be included, it would have been 0.15.

Erik Hjelt: We looked at it from the angle that what is the portion of secured financing against total assets. If we pencil in the remaining EUR 425 million in syndicated loans after that's drawn, we will be around 15 percent.

Niina Saarto: Yes, the assumption was quite correct. On the ESG topic, are you planning to launch any new group-wide initiatives this year?

Jani Nieminen: I think we have quite solid targets there to be carbon neutral by 2030. We will keep that aim. Of course, sustainability and sustainability programme and our targets, we will most likely review those all this year, looking forward at what's the strategy and where we are aiming. Of course, new reporting requirements are coming that will have an impact on how we collect data. Throughout that process, we will think whether there are new things where we should be setting targets or not. It's a bit too early to answer.

Niina Saarto: Thank you. I think that was the last question we're going to take today. Thank you all for listening. The Q1 report will be published on the 8th of May. Let's meet you all then. Thank you, bye.