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Transcription



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Presentation

Operator

Hello and welcome to the Nokian Tyres conference call. Throughout the call, all participants will be in listen-only mode and afterwards there will be a question and answer session. Just to remind you, this conference is being recorded. I'll now hand the floor to our first speaker, Päivi Antola. Please begin.

Päivi Antola

Thank you. Welcome to Nokian Tyres Q3 end of quarter call. My name is Päivi Antola and I am the head of investor relations at Nokian Tyres. Together with me in this role I have Hille Korhonen, the president and CEO Nokian Tyres, Teemu Kangas-Kärki, the CFO, and Mark Earl, who is heading our North American operations.

In today's call, we have collected some topics that have been discussed during the past couple of weeks with investors to keep you all updated. And we will concentrate especially on our North America strategy as we have Mark Earl joining us in the call. But first, we'll take the other topics, i.e. situation in Europe, situation in Russia, the impact of Brexit and the impact of the trade war on Nokian Tyres. And then we will move on to North America and Mark Earl's introduction.

And please note that there is background material available for Mark's presentation on our website. You can find the presentation under investors, and there under IR calendar and events. But now, Hille. Please go ahead.

Hille Korhonen

Thank you, Päivi, and good afternoon, everybody. So let's start with Europe and European markets situation. As mentioned in our second quarter report and call, the car and tyre sector has continued to be weak in Europe. The competitive landscape in Central European replacement car tyre market is tight due to weakness in [? 00:02:08] segment as there is a high supply of buyers in the market.

And our view has not changed. We expect short term weakness in sales volume growth in Central Europe to continue during the remainder of the year. As a consequence, in early September, we announced that we are entering into employee cooperation negotiations with the aim of adjusting the number of personnel at the Nokian production facility in Finland to meet the currently known and anticipated demand. The background for these activities is the weak development of the car and tyre market in Europe. And the estimate of the required reduction of staff is some 50 people. In addition, the negotiations may result in temporary dismissals of at most 90 days a year, both this year and 2020.

Then, to Russia. There is increasing uncertainty in the Russian market, and my meetings with all key distributors in Russia earlier this month confirmed the weakness. In 2019, what we have been confirming earlier, the sales of new cars in Russia are expected to be in the range of -5% to 0% compared to 2018, driven by sluggish economy and stagnating real incomes.

In January to August, sales of new cars in Russia was down by 2.3%. And the total replacement tyre market sell-in in Russia in 2019 is expected to be in the range of 0% to 3% compared to 2018. Then, regarding Brexit and trade war. Now, as the potential Brexit is getting closer, we have started to get questions on the impact of Brexit on us. UK accounts for only less than 1% of our total sales, and therefore the country's economic situation has a marginal impact on our earnings. However, all that affects the car industry

and the sales of new cars does have an indirect effect on us. And the same is true what comes to the trade war. The trade war between China and the US does not directly affect Nokian Tyres. However, all that affects the car industry and the sales of new cars does have an indirect effect on us.

Then, despite of all market uncertainties, we will continue to pursue our growth agenda going forward. Our focus is on executing our strategic projects, including heavy tyres, production capacity increase, testing centre in Spain and the US factory ramp up. And in fact, in two weeks' time, we will have the grand opening of the US factory, which we are extremely proud of.

And now I will hand over to Mark who will tell more about our North American progress.

Mark Earl

Thank you, Hille. Good afternoon, everyone. There is a presentation online that I'm going to be speaking from. If you can get to it with your computers, it might help you follow along with my talk. So what I'm going to cover very briefly is just what is our progress against our strategy in North America during the year 2019. In the past couple of times that I've had an opportunity to talk, we laid out our strategy and I want to update you on our progress.

So moving to slide two where we're talking about doubling our sales in North America in five years. The one thing I want to point out is our growth is actually coming from three areas during these five years. The first, and I'll go into a little bit more detail on each one of these as we proceed, but an overview— part of it is core growth coming from our current customers and our current products, especially winter and all-weather products in the northern climates of the United States and Canada. And we expect steady growth from this and it will contribute to our overall growth over the five-year period. In addition to this, we discussed in our strategy that we're going to add new products for North America that are specifically designed for the North American market, and that will also contribute by adding to the overall basket of products that we're selling through our existing channels. In addition to that, we're going to spread out geographically and we're going to do that by finding new retail partners that will be in areas that are primarily further south of the United States. And those will gain traction over time, and I'll update you how we're doing on that. But there's a chart that shows relatively how each one of these contribute to our growth over the next five years.

Moving to slide three, just reminding everyone of our value proposition. We really come from our winter roots and the winter products are the ones that are the most successful and most important for us in North America. And that will continue to be the case. We also were the first company to invent the all-weather or four season tyre, and we're now on our fourth generation of that tyre and that's an important growth area for us as well. This product category is now getting more and more validity in North America, and most of our major competitors are now releasing their first versions of these type of products and this category is going to expand in North America and we're well-positioned to take advantage of our original position.

Then, as we move farther away from our core, you get into selling all season for our core customers and this is primarily driven – and I'll talk about this a little bit more – that our core customers have had so much success with our winter products that their customers, the consumers, come to them and say, 'Can we get all season products for the summertime?' And then finally, the part that is probably the most pioneering work for us is where we're expanding further south in the United States and selling all-season products to new customers. So I'll talk about those a little bit more detail.

Moving to slide four. The steady growth we expect from our core customers in Canada and the US North. You can see from the graph there that we're still very, very strong in winter and all-weather products. It still, at this point, is 60% of our volume. And we have a great brand reputation and great experience with our customers. And there's a high repurchase rate of our brand with these products and many of those customers have been pushing us over the last 10 years to add all-season products. And so primarily our sales of all-season products in the United States and Canada are already through the same channels and to many of the same customers that are purchasing our winter products.

By maintaining selective distribution, which is providing limited geographic competition for our partners, this results in strong profitability for our partners and keeps them committed to Nokian Tyres. And because the corporation continues to be a world leader in winter tyres, in all-weather products, we know that we're going to continue to get competitive products that are going to drive demand for those. So our progress in 2019 against this, the strategic initiative that we've released two new winter and all-weather products, and our year to date growth of our share of shop or sell out share with our northern retail partners continues to grow. So that's very encouraging.

Moving to the next slide, slide five. One of the other things that we said in our strategic plan is we want to expand our product basket. We've been doing that, especially focused on light truck and SUV tyre models, because as you may know, most of the vehicles in the United States are a lot larger than the ones that are sold in Europe and in Russia and the Nordics, so we're releasing more and more products that are serving those larger vehicles. And the progress that we've made this year is that we actually completed our roadmap and several of the new tyre models are in the design phase and actually moving through the pipeline. In fact, within the next two weeks we're going to release a new tyre in North America that was designed just for the type of vehicle that you see in the picture on this slide. And we're very excited about that release. And then there are three more new tyres coming in 2020. In terms of expanding our product sizes to cover more and more vehicles, we've added 40 new sizes this year with our existing product lines. So that helps give our retail partners more products to sell.

Moving to the next slide: expanding our footprint. Because of the success of our products in the northern part of the United States, there are a lot of retail partners that have asked for us to start moving more to the south. So we've been moving in that direction, but we're still focusing on dealer profitability and being very selective about who we work with and opening those partners up. And in addition to that, we're also expanding our affiliate programme, which is kind of like a frequent flyer program for retail tyre dealers that helps them earn benefits the more they sell. Our progress in 2019 is that we've added over 400 retail locations, most in the US south. And with those new locations, our primary interest is making sure that not only do they get a good opening order with us, but that we teach them how to sell our products out. And so we've conducted over 30 seminars with those new dealers, training over 1000 counter sales associates year to date. And we've expanded the benefits in our NAD programme. So we feel like this is right on track.

Finally, another thing that supports our growth is the completion of the Dayton factory and its startup. Here you see a picture that was taken probably three weeks ago at the factory. All the buildings for the main production are now closed up and environmentally secure. We're starting to work on the grounds and all the equipment is being tested. It's been installed. We're starting to make first tyres, test tyres, and we're really excited about the progress of the plant. We're on time. We're on budget. And we're doing everything we can to get ready for production in 2020. And of course, having the factory in North America is really going to benefit our customers. Even last winter we ran out of winter tyres because we didn't have them on the continent and we had an extraordinary strong winter and we just ran out of tyres. So having this factory in North America is really going to be a plus for us and we're looking forward to it coming online.

Finally, the key takeaways. Just to remind you of what we've covered, the five-year growth comes from our winter and all-weather products, which we're already very strong in. Sold by our core northern retail partners that continue to grow that share in the North American market. Also, new products that we're designing just for North America that are going to add to the products that we are selling now. Adding new retail partners who are really partners and know how to sell our products in new territories. And then having that world-class factory close to our customers to provide our tyres in a timely manner to them. And our strategic initiatives are on track in 2019, the factory ramp up is on time and on budget. So we're really excited about our prospects. Thank you very much.

Päivi Antola

Thank you, Mark. Thank you, Hille. And now operator, we would be ready for questions from the audience, please.

Q&A

Operator

Thank you. If you wish to ask the question, please dial 01 on your telephone keypad now to enter the queue. Once your name's been announced, you can ask your question. If you find it's answered before it's your turn to speak, you can dial 02 to cancel. So once again, that's 01 to ask a question or 02 if you need to cancel.

Our first question comes from the line of Sascha Gommel of Jefferies. Please go ahead. Your line is open.

Sascha Gommel

Yes. Good afternoon. Thank you for taking my questions. The first one would actually be on Russia. I think in H1 you were saying that you implemented measures to steer the mix, A versus B segment, in Russia and I was wondering if you can give an update on that. And then related to that, I think we were also discussing that there was a little bit pull forward of your sell into the dealerships of winter tyres in Russia. So I was wondering if you can comment on how you see it at the moment, the demand evolving in Russia with regard to winter tyres.

The second area of question would actually be on the US. Thank you for actually making the time for this call today. Two parts of the question. First of all, we see a lot of change in the US distribution structure. I know you're at the moment a niche player, but how do you see the distribution structure of Nokian compared to the rest of the tyre players in the US? And do you think it is competitive? And what areas do you see as a weakness or you need to work more on? And would you also consider expanding on the Vianor side a bit more in the US? I think we only talked about the independent dealer network today. And then very last, to confirm, can you comment on the production mix in the US plant, winter, summer, all-season? Thank you.

Päivi Antola

Thank you. If we start with Russia, Hille.

Hille Korhonen

Yes, you remember well that we have this programme ongoing to promote the A segment buyer sell-in in order to improve the mix for the full year in Russia. And I can confirm that this programme is proceeding as planned and we will be seeing mix improvements in Russian sales covering the second half of the year. What comes to the total volume development for the rest of the year, I think we will be having more visibility once we get closer to the winter season. And of course, the question mark still remains how the summer tyre sell-in will be starting during the fourth quarter in this year. So we don't have at this point of time enough visibility for that.

Päivi Antola

Thank, Hille. And then Mark, about the US distribution structure and the production mix.

Mark Earl

I'll start with the production mix and I'll say that just generally we intend to first make tyres in North America that are designed just for North America already. So we have certain models and sizes that are only sold in North America. So I think we're really focusing on getting those into production first in the first year or so. And it's really independent from the mix of summer; let's say, all-season and winter. There might be some winter in there, but it primarily will be the sizes and models that are already made only for North America.

In terms of the distribution structure, we – because we are in each player – we do not go to market with mass distribution; we select our retail partners. And so when it comes to distribution, currently we are sort of using whatever distribution is best for that retail partner. Sometimes that's going through a wholesaler in between. Sometimes that's going directly to that retail partner, but our focus really is on the retail channel and on the sell-out of our products. And at this point, we really don't see the need to participate in the mass distribution wholesale market the way that some of our large competitors must do. I don't know if that answers your question or not.

Päivi Antola

And then there was a question about Vianor and [inaudible 00:21:09] in North America.

Mark Earl

I think that I can say that we would not increase our Vianor in North America because fundamentally that is competing with our prime customers and expanding that footprint is something that would not help us grow with other customers. And the US already has really good coverage with retail tyre dealers, so it's not hurting for more.

Sascha Gommel

That's great. I appreciate that. Thank you very much.

Operator

Thank you. Our next question comes from the line of Mattias Holmberg of DMB markets. Please go ahead. Your line is open.

Mattias Holmberg

Thank you very much. I have two questions. The first one is for Mark. I see on slide two that you talked a bit about the growth of sales through new retail partners and I just wonder if you could elaborate a bit on what the key enabling factors will be for this to materialize. Simply why are these retail partners not partners today? And what will turn them into partners in the future?

Mark Earl

And I talk about that a little bit more on slide six. Really, there are two reasons that we're expanding further with new retail partners. One of them is that we're being asked to do that. Like any industry, there's a lot of communication and there are dealers in the southern part of the United States that have heard about Nokian tyres from their friends or other retailers in the north and they've been asking us for years, when are you going to move further south? So there is some demand for that. And as we add more products to our portfolio that broaden the range, our product line becomes more and more attractive.

The other thing that's attractive about our brand for these retailers is that we really are very careful about who we select. And when we select a partner in a geography, we tend to have that be fairly exclusive. Not by contract, but in the way we behave. And

so what that means is they can count on steady profitability and they don't have to compete with the tyre dealer down the street on the sell-out price for our tyres.

Mattias Holmberg

Great. And the next one, I think is for Hille. You've already talked a bit about Russia and the situation there. I think my question is more related to the inventory situation, given that you said that you'd met with some of the key distributors in the country. If you have any update for us. I think you said that the winter tyre inventory level was slightly higher than normal, given the early selling of winter tyres. Do you have any update on how the last report of the summer season in terms of sell-out has developed in Russia?

Hille Korhonen

Overall, the inventory levels are on a higher level compared to what I would call a normal year. So the summer tyre inventories have been going down compared to the previous year, but they are still slightly on a higher level. And there is clearly more winter tyres in the channel. So the shipments from our key distributors have not been started properly yet. So there has been some delay in terms of product flows through to their dealers and customers, etc.

Mattias Holmberg

And just to clarify, would you say that this is an incremental worsening in your last visit to Russia, or is this unchanged compared to when you when you went there last time?

Hille Korhonen

I would say there is increasing uncertainty compared to the previous talks with them.

Mattias Holmberg

Thank you very much. That's all for me.

Operator

And our next question comes from the line of Gabriel Adler of Citigroup. Please go ahead. Your line is open.

Gabriel Adler

Hi. Thank you for taking my questions. I have a couple of questions on Europe and then one in the US. So you just spoke about inventory levels in Russia. Could we get some commentary around dealer inventory levels in Central Europe as well, please? An update there would be very helpful. Secondly, on Europe, you mentioned that the environment remains competitive. Could you please provide some commentary around the pricing environment and whether you're seeing any signs of price cuts or price pressure in Europe at the moment because of the deteriorating situation in OE? And then my third question on the US is with regard to the new retail partners. Could you elaborate on the mix of tyres that are sold in the southern region and the mix of tyres you expect to sell with new retail partners, please? Thank you.

Hille Korhonen

Regarding Central European inventory situation, it looks to be quite high overall. And the summer tyre inventories are clearly on a higher level compared to normal and the winter tyre inventories are, I would say, on a normal level. But overall this means that our customers' warehouses are full, which is also impacting on the timing when they are willing and able to take the winter tyres in. So it seems that the order intake is slower compared to many years and they will be ordering goods closer to the season.

And what comes to the pricing situation, it is still, I would say, very competitive which means that of course for retail retailers it's good situation because they are able to negotiate good prices for tyres, but overall there is more capacity in the market and supply for the market; it means that even though some price increases have been announced, there is still a lot of, I would say, marketing and backside [ph 00:28:32] money that is taking the actual prices down.

Päivi Antola

Then Mark?

Mark Earl

The question was about new retail partners and the product mix. For the retail partners that we're adding in the southern part of the United States, the product mix that they're selling right now just with even other tyre companies is fairly strong all-season mix. But in the United States, what's happening over time is the product mix is changing even more and more to a large tyre size. And so the actual selling price point of those tyres is getting higher and higher because especially the large light truck tyres are becoming a bigger piece of the pie. And we find those kind of tyres to be attractive tyres for us to sell as well.

Gabriel Adler

Thank you very much. That's helpful.

Operator

Thank you. Our next question comes from the line of Panu Laitinmäki of Danske Bank. Please go ahead. Your line is open.

Panu Laitinmäki

Yes, thank you. First question on your outlook for the second half of the year. You're saying that Russia looks a bit weaker than previously. If I understood correctly, the orders in Europe are kind of delayed to Q4. So should we assume that there will be a change in seasonality with Q3 being a bit weaker and Q4 a bit stronger? And then, are you still expecting growth in the winter tyre season in Europe in Q4? That's the first question.

Hille Korhonen

So that there might be some shift, as you said, from third quarter to the fourth quarter. And of course, I said the visibility to how the winter season will look like is getting better as we move forward couple of weeks. So it's too early to say anything about the winter season. Our guidance is based on a normal winter.

Panu Laitinmäki

Okay, when is the [? 00:31:02] time with the winter season? So when, if we haven't seen snow, is it too late for the season to be normal?

Hille Korhonen

Usually what we are saying is that the snow should be coming in most of the markets by end of November. So if the snow comes in December, that's too late.

Panu Laitinmäki

Okay. There is still a bit of time for that. My final question was on the US factory. Can you comment, what is the break-even volume? How much do you need to produce there to make it profitable? What is the level that you actually need to get to your target level? And if you could comment, what is the target profitability of the US operation? Thank you.

Hille Korhonen

I think this is a question for Teemu Kangas-Kärki. He's the CFO. Teemu, please?

Teemu Kangas-Kärki

Thank you for the questions. As we have been discussing earlier with the investors, we look at the profitability on passenger car tyre levels. We haven't been that specific on North American level. And what we have been saying is that clearly the investment will create a headwind for our profitability as discussed in our Capital Markets Day last year.

Panu Laitinmäki

Okay, thank you. That's all from me.

Operator

Thank you. Our next question comes from the line of Artem Beletski of SEB. Please go ahead. Your line is open.

Artem Beletski

Yes, this is Artem from SEB. First, a couple of questions to Hille. So basically, relating to Russia, you mentioned about increased uncertainty on the market. Would you maybe provide some initial colour? How do you see next year developing? So is there any scope for market growth?

The second question is relating to pricing picture overall. Have you done any further price adjustments following Q2 results? Maybe some price increases, or so on? And then I had also two questions to Mark relating to the US and Dayton. So firstly, you mentioned that you are basically increasing production and releasing new products to serve bigger vehicles. Should we assume this to be a meaningful driver for your profitability in the region?

And the second question is relating to SKUs being produced by Dayton. Could you provide some colour at what levels you will be beginning? And I guess you will be broadening the portfolio of tyres being produced at the factory.

Hille Korhonen

Thank you, Artem. I will first answer your question regarding the Russian market. As we started this year, we had much more positive view on the development of both new car sales and the replacement tyre market and it has been clearly weakening throughout the year. And I would say it's too early to make any statements about next year. So let's look at the year-end numbers where we are ending and our team will then then make further analyses on the expectations for 2020.

Päivi Antola

And then the price adjustments?

Hille Korhonen

Price adjustments that we have done after the second quarter are related to price increases both in Sweden and Finland. So we have made some slight adjustments up.

Päivi Antola

And Mark?

Mark Earl

Okay, let me make sure I got the question right. I think you were asking on the first question: as we move to larger sizes, especially as we move to truck tyres, as it relates to all-season, will that increase profitability? I think it's difficult for me to say where the market's going to go and where prices are going to go over time. Right now, I would say that pricing is very favourable for the larger truck sizes and so for pickup trucks and large SUV that there are strong prices there in the market and it provides good profitability. And we expect that that's going to be the case in the future, but it's hard it's hard to say how it will develop over time. Does that answer your question?

Artem Beletski

Yes, indeed. And then I had actually— the first one was related to SKUs. So basically how many different products you will be producing at Dayton when the production is up and running and when you will be increasing the amount of SKUs. And to what extent?

Mark Earl

So I think that we're starting out with one SKU and going to two and we're adding them every day and they're already preparing those, but it's going to ramp over a four-year period of time and we expect that it will reach the number of 300 at some point. And they'll really be ramping over the next couple of years pretty rapidly.

Artem Beletski

Okay, very clear. thank you.

Operator

And our question comes from the line of Ashik Kurian of Exane BNP Paribas. Please go ahead. Your line is open.

Ashik Kurian

Hi. Thanks for taking my questions. First question, I just want to clarify the comments you made on inventory levels being high in Europe. Was that an industry comment, or was it just related to Nokian? Because we've now had weak replacement demand – at least the selling data has been weak in Europe for quite a few months. Just wondering if what you're saying implies that the sell-out demand has been even weaker than what the sell-in demand that you're seeing?

Hille Korhonen

My understanding is based on our discussions with our customers in general. So there is clearly higher inventory levels in summer tyres and quite okay for winter tyres. And that's not only covering Nokian tyres inventories, but in general.

Ashik Kurian

But would you say the situation has improved or worsened from the start of the year?

Hille Korhonen

Well, the warehouses have been quite full already during the start of the year and when looking at the backyards of some major wholesalers, they are full of containers. So I would say it's still quite stable compared to the beginning of the year.

Ashik Kurian

Thank you. And the second question is on your guidance of what is implied for second half. I believe at Q2 you said part of the improvement in profitability in the second half is based on volume growth. And I'm just wondering, based on all the comments that you've made regarding the weaker demand, whether you still are targeting volume growth in Q3 and will it all be based on if we get winter tyre sell-in demand in Q4?

Hille Korhonen

Yes. Of course, our guidance is based on our current view and the visibility will be improving once we get closer to the winter season.

Ashik Kurian

And then, you've said you've improved the mix in Russia and you've implemented price increases post Q2 in the Nordics. Should we expect a significant improvement in your price mix for the second half compared to what you showed in the second quarter? Or are there any offsetting factors?

Hille Korhonen

When we look at the third quarter and the rest of the year, I think the impact to our total base [ph 00:39:42] message coming from Central European market and there we don't have any price increases that would be offsetting the material.

Ashik Kurian

Last question from my side. You've announced headcount reduction in Finland. Can you maybe quantify roughly what that would mean in terms of the capacity that you are taking out from Finland? If my memory is right, you probably were planning to increase the Finnish capacity from 3 million to 4 million over this year. Is this a structural reduction and should we expect further capacity to come out of Finland as North America ramps up, or this is very much a short-term capacity deduction?

Hille Korhonen

With the personnel negotiations, we are taking capacity down in Finland and it will be less than 3 million tyres per year. And any further adjustments are dependent on the demand picture that we are seeing.

Päivi Antola

But as such, it's good to keep Dayton ramp up and the Finnish factory as two separate items. They are not, as such, related.

Ashik Kurian

Maybe, can I just ask a clarification to that, because right now you do export— I'm sure it's between 1 million to two million; quite sizable amount of tyres from Europe to North America, right? So wouldn't this be correlated? If the demand in Europe is lower and you are compensating by some of the volume demand in North America through the Dayton factory, then wouldn't that imply that you might have to take down some capacity in Europe?

Hille Korhonen

We are currently shipping all the products from Russia to North American market and we are adjusting the Finnish capacity based on the European demand. Mainly. So, as Päivi said, it's not impacting the ramp up plan of the North American factory.

Ashik Kurian

Perfect. Thanks a lot.

Operator

Thank you. Our next question is a follow up from Sascha Gommel at Jefferies. Please go ahead. Your line is open.

Sascha Gommel

Yes. Thank you. A follow up to Ashik's question, actually. Can you talk a little bit about the spread price increases versus raw material price headwinds? How you see that evolving in the second half of the year? And then to clarify also your comments you just made. I think in H1 we were talking about single digit, up to high single digit, decline in EBIT what you are foreseeing. Is the level you think realistic, or given the inventory situation and the situation you describe, this is maybe a little bit ambitious now? Thank you.

Hille Korhonen

If we start with raw materials and price increases?

Teemu Kangas-Kärki

As we have been finding the raw material price increases for this year being on a level of 4%. And then clearly this year we are not able to offset the raw material increases by our price increases of our products. Then the second question was about our guidance. Our guidance is still valid, with the range that you have said. But it's all that I can say at this point of time.

Operator

Our next question comes from the line of Akshit Kakur of JP Morgan. Please go ahead. Your line is open.

Akshit Kakur

Thank you. Just one left for me; a follow up on Central Europe. Again, trying to understand and get a feel of how you are thinking about your Central European strategy in the medium term and what has really led to the weak sell-out in the markets. Just trying to understand how you're thinking about that market. Thank you.

Hille Korhonen

We have currently a new head of Central Europe. He started two months ago and we give him some time now, some weeks to update his plan and view on Central European market and where our focus needs to be in both in the short term and long term. And then what comes to—

Akshit Kakur

The weakness in the sell-out, please.

Hille Korhonen

Yes, weakness of the sell-out, yes. Our thinking at the moment is when we are, for example, following the German market, is that there is a lot of uncertainty amongst the consumers, both financially and also in terms of which type of car they should be buying. So that's impacting both the replacement market and the new car sales. And of course, there is oversupply in the market clearly, which is then impacting the competitive situation.

Akshit Kakur

Okay. Thank you.

Operator

Thank you. Once again, if there are any further questions, please dial 01 on your telephone keypad now.

There seem to be no further questions at this time, so I'll hand back to our speakers for the closing comments.

Päivi Antola

Thank you very much. If there are no additional questions, then I would like to thank you all for participating and wish you all a good day. Thank you.