

# **Andritz AG (ADRZF) Q2 2024 Earnings Call Transcript**

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**Body**

Andritz AG (ADRZF)

Q2 2024 Results Conference Call

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Company Participants

Matthias Pfeifenberger - Head of Investor Relations

Joachim Schönbeck - President and Chief Executive Officer

Norbert Nettesheim - Chief Financial Officer

Conference Call Participants

Sven Weier - UBS

Akash Gupta - JPMorgan

Peter Rothenaicher - Baader Bank AG

Daniel Lion - Erste Group

Lars Vom-Cleff - Deutsche Bank

Presentation

Matthias Pfeifenberger

Good morning. A warm welcome to the Capital Markets from Andritz. I'm here with our CEO, Dr. Schönbeck; and our CFO, Mr. Nettesheim.

Let me quickly run you through the agenda for today. We'll start with the overview of the financial performance by Dr. Schönbeck, then switch to the financials, and then finish up with an overview on the segments and the outlook followed by the Q&A. For the Q&A, I would like to ask you to register with your full name, so you can ask questions.

And now I'd like to hand over to Dr. Schönbeck for his opening remarks.

Joachim Schönbeck

Good morning, ladies and gentlemen. Thank you very much for attending our webcast for our half year's results and your interest in our company. I would say the message we want to deliver today is basically that we have a stable development despite a quite challenging economic environment. We can confirm the guidance for 2024, but let's go to the details. On the -- if you look at the numbers, the order intake dropped in half -- in the first half year compared to the last year.

However, we cannot say that we are unhappy with the order intake that we could collect, looking where the markets have been in the first half year and what the general trend in the economy was.

We had continuing absence of large capital investments, both in Pulp & Paper and in metals. But on the other side, we could see very good development on our green products, which led to a significant increase in order intake, revenue and EBITDA in our business area, Environment & Energy. We had a solid growth in the service business. And the Q2 order intake was approximately the same level as Q1, supported by a significant pickup in Pulp & Paper. We had a slight decrease in revenue, resulting out of the low order intake in the previous quarters.

We can report a stable earnings, stable EBITDA, slight increase in profitability. This comes from the improved mix with a higher share of Service and Green Products and based on a solid project execution. Net income is stable and slight increase in net income margin. We -- 2018, we have established a start-up joint venture called Otorio in Israel. And so we developed it with a task to develop OT cybersecurity because we were missing competitive products in that area and we needed solutions to go for our, I would say, lighthouse project of autonomous mills.

We wanted to deliver to our customers. So we met with specialists in Israel. We developed that joint venture. Now we had last quarter, the first financing round, brought in new co-investors. And we believe providing additional growth -- additional capital for the growth.

The guidance for 2024 is confirmed. We have still quite a large order backlog. We see growth continuing in Service and Green Products, and the project activity has picked up in several markets. If you look to the half year KPIs, in total, an order intake of €3.8 billion. The revenue is at €4 billion, so slightly -- book-to-bill slightly below 1.

Order backlog dropped to €9.7 billion, still quite solid, EBITA at €333 million, same number as in 2023 first half. The EBITA margin improved to 8.4%, up from 8.1%, and the net income at €224 million. The quarter 2, €1.9 billion order intake. Revenue, €2.1 billion, the margin and EBITA and net income, apparently, in line with the half year.

We made a very important acquisition, complementing our automation and digitalization business. We acquired the Finnish company, Procemex. They are the global leader in integrated Web monitoring and Web inspection solutions that helps our customers with their paper machines first, to ensure the product quality; and second, to minimize costly downtimes as it reduces web breaks in the machine. It helps us to deliver the autonomous mills. We think about and it definitely helps our customers to work more efficiently.

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So we are happy to welcome them onboard, and I'm looking forward to a good business inside Andritz. On the ESG, we are on track. These are the numbers from end of 2023. So nothing new from our last call, and we can continue to the performance in detail.

Having a closer look to the business areas, we can see on the order intake the drop 18% to €3.8 billion. And you could see that if we look to the first half, we have a decline in Pulp & Paper, metals and in hydropower. And in Environment & Energy, we grew the order intake in the first half by 38%, in the second quarter even by 46% to €447 million, which is quite a good number. Second half in Pulp & Paper is not that bad. It is above second quarter 2023, and it is significantly above the first quarter 2024, which gives us hope that the trough in that market is gone and that also resonates well with the up-picking project activities.

If you look at order intake in hydropower, it looks pretty bad. But we have to consider that in the second quarter of 2023, we booked this large project in Laos - Luang Prabang, a mid-triple-digit order. So therefore, I would say the situation there does not look -- looks quite good, and we see a continuing increase in market activity in hydropower. The revenue basically follows the -- I would say, the moderate order intake of the last quarters. It's -- for the first half, it's down by 9% in Pulp & Paper.

It's stable at Metals. In Hydropower, it's a bit down in the first half at 7%. And Environment & Energy growing strongly, 16% in the first half and 27% in the second quarter. So quite a good dynamics in the growth. And you can also see that Hydropower picked up in the second quarter by 2% the sales, and we reported in the first quarter that I would say, the low sales in Hydropower is related to some slowdowns in project execution. This is now behind us, and we see stronger growth in the quarters to come.

On the earnings side, it's a very stable development. We have exactly the same EBITA delivered as last year, €333 million. The margin slightly increased 8.1% to 8.4%. And if we take out the nonoperative items, we were stable at 8.2% compared to last year. The order backlog, I would say, is dropped by 3%.

It's still on a good level. It went up in Hydropower and in Environment & Energy. It dropped in Pulp & Paper and Metals. And I think this is well in line with the market and order intake development that I reported before. And now I hand over to Norbert, who guides you through the details of the financials.

Norbert Nettesheim

Yes, good morning also from my side. As good practice, I take over the details on the peer group P&L and on cash flow and liquidity. As in the last presentations, pretty same pictures all the time, €333 million. It happened to be the same number, which is a very, very good development, declining sales and having operating results at the same level as before. We are satisfied with that.

Depreciation, a little bit higher than in last quarter, we had an extraordinary effect of €6 million for some housekeeping issues, where we devaluated assets, which certainly in future restructuring programs also leads to reduction of people. So this we took already into this quarter. That's the reason why we have this €90 million depreciation included in the €333 million EBITA. The EBITDA was 10.6% on the normal and good and high level as in previous periods, 10.1% we had in the first half of 2023. So here we see also a relative improvement.

Going to the right, amortization, nothing new to report. Financial results this quarter and this half year are negative. You remember maybe that we were in first quarter at 0. Expected some increase from the real interest side. This interest effect we had, but it was in this quarter compensated by a valuation effect.

We have mentioned already this topic, Otorio, where we took an investor in, which -- where we then went down to 41%, had to de-consolidate it and following this move, which is a successful move because we now have for Otorio further investors in who help us to market this company and to develop it further. Following this change in the consolidation of Otorio, we had to do some valuations, which at the end ended up in the financial result and brought it below the 0 line. In the next quarters, we would see the positive effects from the real interest. And for the full year, I expect to get it back significantly above the 0 line.

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€300.6 million EBT, 7.5% is an increase of 20 basis points compared to last year. And also on the tax side, we have a positive development with the reduced tax rate to 25.5%. Last year, we had effect on, let's say, onetime payments for previous periods. So also this was a kind of a tailwind in the first half, which led then to this 5.6% net income margin. And as you see, we are well on our track to the 6% target, which we communicated in January as a net income target for the future.

So overall, let's say, I and we are satisfied with the net income and with the total group's P&L. And this also is reflected in the cash flow. So it's not only profit what is good, it's also the cash which we produce, which is good.

You see here that based on this net income of €223 million, we were able to manage to get a cash flow of €308 million in the first half year. That's a pretty normal development. The only issue to mention is effects from net working capital in the half year, full half year slightly negative. So a slight increase in working capital on the half year. In the first quarter, we reported there €146 million tailwind by reduction of working capital.

In the second half, it turned into, let's say, an increase in working capital. But you will remember now from last meetings we had that this is, from our point of view, a very normal development in the business where we are in with fluctuating working capital of €100 million, €150 million from quarter-to-quarter. So nothing really serious. Everything in the normal range of the business, what we are doing, yes.

The income taxes paid, much more positive than in the last first half year of last year. I mentioned it already also it's visible in the tax ratio. So -- and investments, CapEx increased. This is a pure effect from the growth investments, which we do in several regions building service centers, let's say, developing new businesses. And this at the end also ends up in higher spendings for CapEx, which is in the first half year, €107 million, despite €93 million in the last year.

So overall, nothing really important to report. Here, you have completing this, once this quarterly effect on working capital, but let's look to the right side in average and over several periods, we produced constantly above €500 million cash with the business where we are in. So -- and last but not least, the financial positions at the very right side from '23 -- end of '23 to end of the first half year, you see the reduction of €389 million. And the gross liquidity reduction is highly influenced by repayment of a larger loan, €300 million, we were able to pay back out of our gross liquidity, and we are currently not planning to refinance it in a way as we did it in the past. So we will not take additional debt on the balance sheet for the time being, €1.4 billion, and the cash flow of the second half is certainly enough to do everything we need to do and what we can do, and we are further on well equipped with cash to enter also into short-term and quick acquisitions or in major other investments.

The other effects are shown in the right part of this dividend cash flow CapEx. So this is a bridge to the net income of €831 million -- sorry, the net liquidity of €831 million, which is still sufficient and where -- a good basis, as I mentioned before. So -- and then the final slide I usually take here is the summary of the group's numbers before we dig further into business areas. I can summarize what Joachim and I have said, it's order intake slightly declining, but still the very good development in Service and Green technologies.

The stable revenue out of the good backlog and a very, very stable service business what we have profitability stable, most likely driven due to this mix effects and due to the margin improvements which we have with, let's say, worst order, spread orders phasing out of our execution. And then this leads to a very stable development in net income and a strong cash generation. So overall, despite the one or the other minus number on this page, we are still very satisfied and are sure that we will continue this also in the next half years. So far on the group numbers, I pass back to Joachim.

Joachim Schönbeck

Thank you very much, Norbert. For the details, however, let's have a deeper look to the business areas. Starting with Pulp & Paper, profitability is at a high level, service part -- share of service revenue increased in half 1 to 49%. It has grown, but it's mainly coming out of a decline in the capital business, which we are all aware about. We reported, I would say, a swing.

We had, I would say, a satisfactory second quarter in order intake. We have been ordered an important order for our new products from a Swedish pipe company, Södra, for a large lignin separation plant together with the sulfuric acid plant. These are 2 of the new products that we have developed under our side stream and circa to 0 initiative. So we believe very important looking way forward. We -- besides the higher service share, we, of course, entertain strict cost management, and which also helps to protect the bottom line EBITA margin now at 10.2% and the EBITDA margin increased by 1 percentage point almost to 12.7%.

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So it's a good development last week, and we could start up 2 large pulp mills, 1 for our customer, Suzano, the Cerrado plant finally went on stream, and 1 large pulp mill in China. So very good activity and performance by our Pulp & Paper team. In Metals, severe decline in order intake, stable revenue base, definitely based on the strong backlog. We can -- on the bottom line, you might be a bit disappointed by the development of the EBITA and the EBITA margin dropping to 4.5% on the half year and 4.2% on the quarter. However, I would like to bring your attention to the EBITDA, where you could see that we have, on the operational level, we definitely have improved the operations, but we also had to take some cost provisions for restructuring.

We could see with the development of -- in the automotive industry and the regional settings, we could see that the volumes we were used to on the automotive side in particular in Europe will not -- they will not recover. We don't believe that these volumes will come back, and we will take the measures to adjust our capacities accordingly to be ready for a healthy business in the future. In Hydropower, we could increase the profitability strongly. We went up to 6% EBITA margin on the -- in the first half and 6.4% EBITA margin in the second quarter. So that is definitely a very good development.

And it's -- for sure, it's a strong improvement in order execution, together with the phaseout of some of the legacy projects. And we believe that this trend can continue in the future in combination with the good development of the service business. We are confident that we can increase profitability here. Environment & Energy is a really -- gives a really good picture. I think it's a good message for everybody that the business area with the highest profitability at 11% EBITA margin for first half and 11.8% for the second quarter, that the business area with the highest profitability is the one that is growing fastest, I think that is very good and keeps us engaged.

Strong demand across various industries, strong demand for our green products. So we believe that we're in good shape there. You see the service margin dropped -- not the service margin, the service share dropped from 43% to 38%, which shows good resilience of the business in total. Coming to the outlook and the group targets. Outlook is, guidance is confirmed.

Market outlook, we do not expect a quick recovery of the market. However, we can see project activities are picking up across several industries and markets. We can confirm our guidance. We have a satisfactory performance in the first half. We have a strong growth in the service business.

We see a growth in Environment & Energy. Based on the existing order backlog, we expect stable revenues for 2024. The group targets which we presented to you in the Capital Markets Day in January, remain unchanged. We still want to grow to 2026 above €10 billion, want to increase the EBITA margin over and above 9%, the net income above 6%. We continue with the M&A strategy, focused on service and digitalization, as you have seen with what we did in Q2.

And we want to overachieve our ESG targets. That's for me, and I hand over to Matthias.

Question-and-Answer Session

A - Matthias Pfeifenberger

Thank you, Dr. Schönbeck and Mr. Nettesheim, for insightful presentations. I'd like to open up the Q&A session. As a reminder, please register for questions with full name.

And we take our first question from Akash Gupta from JPMorgan. Yes, you are taking Sven Weier. Good enough for me.

Sven Weier

Yes. It's just referring to your statement on project activity. Was curious about that because I was wondering the message you want to convey to us here. Does it mean you have become more constructive on second half order intake recovery than you were in Q1? And especially, how do you feel about bigger pulp projects on the greenfield side?

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Obviously, there's quite a few in the pipeline in Brazil. Obviously, the famous Paracel one in addition to that. So really just wanted to find out if you're confident and the order recovery overall has increased now against Q1 or yes, that's basically it.

Joachim Schönbeck

No, we have a -- as I said, and I don't mean anything different than what we have written. There is an increased project activities. So which usually means that customers are considering investments seriously, they engage their teams, they engage us. When this will result into order intake is completely in the hands of our customers because they need to schedule their projects. But the level of activity has picked up. And usually, this would also result then in some orders. And whether it will be in the third or fourth quarter this year or in the first quarter of the next year is the speculation, I cannot take.

Sven Weier

And when you say several markets, does it mean all the divisions except for metals? Is that a fair statement or...?

Joachim Schönbeck

No, it's a -- I would say it's even beyond. It's in Pulp. It's in Paper. It's in automotive, and it's in steel. So it's really, we can see it. We can see it across. And they might have different times to ordering. But for sure, we could see, let's say, this reorientation in the automotive industry after -- I would say, after the wake up on the future of the electric vehicles came to an end, I believe it looks like our customers now have a clear idea where and what to invest. And now the discussions are starting. So I would say that's -- and that's basically all I can tell you. But usually, it's a good sign.

Sven Weier

And is it -- I mean, when you speak to your clients, I mean, we hear it a lot that companies also say our pipeline is good, but conversions is still slow because interest rates are still high, political uncertainty, dah-di-dah-di-dah. Is that the same view here? Is that keeping customers still right now away from converting the pipeline or any other factors on top?

Joachim Schönbeck

I would say what you mentioned is what we hear, yes. And I think it definitely would be not wise to neglect that. I would say, adding into what you said is definitely subsidies which are under negotiation and a lot of the new technologies, yes, are eligible for subsidies and definitely also that is -- there certainty is needed. And all political changes have an impact there.

Matthias Pfeifenberger

Thank you, Sven. Now Akash, it's your turn, JPMorgan.

Akash Gupta

I have a follow-up to Sven's question and there is also on the demand. Clearly, you have mentioned that project activity is picking up. And I think the question we often get is on your 2026 targets. So if we look at the current run rate of orders, we are at €1.9 billion per quarter and to get to €10 billion in revenues, we need to see a run rate of €2.5 billion at some stage. And then of course, you have some lead times in different businesses where it could be 6 months, 12 months or even more than 12 months.

So the question I have for you is that when we look at these various businesses and the lead times, can you tell us that by when you need to get to a run rate of €2.5 billion to meet your 2026 targets? Is it in the first half of '25? Or is it also in second half of '25? So that's the first one to start with.

Joachim Schönbeck

Norbert, that's your area of expertise.

Norbert Nettesheim

Yes, that is a very general question. The earlier we get it more secure we are. And it's absolutely clear, when we don't get the orders at the end, it will show up in sales, yes. And with the normal lead times of a year, 3/4 of a month to get these POC projects into full sales effectiveness, we should see in the second half of '25 these kind of order intakes or in the full year of '25, at least an order intake above the €9 billion to get securely to the €10 billion, yes. But I wouldn't take this €10 billion now as an absolute number out of everything.

At the end, it's the results which pays a dividend and not the sales. And it could be that we may be with a slightly lower sales, maybe €9-point something billion, also deliver the absolute profitability we intend and tried to deliver. So let's keep us a little bit relaxed on this number. And we will see what we clearly do every day is working on the financial performance on the bottom line and on the EBITA, and there are many levers which we can take. And this should be something where we focus on maybe more than on an absolute sales number of €10 billion.

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Akash Gupta

And my follow-up question is on input costs. So like in '22, '23, we saw a big increase in input costs, and that was also leading to increase in the pricing. And back then, customers if they have to wait and they have to pay higher price. And then we entered in a period when cost was largely stable and I guess, that may be reflective in delayed decision by customers because there is no additional cost if they come later to decide on their projects. So the question I have is that when we look at your input costs in the next 6 to 12 months, can you give us a picture what do you see there?

Is your price that you quote in tenders, does it needs to go up just so that if customers see that the prices are rising, then they may be forced to expedite some of their decision-making?

Norbert Nettesheim

I would. On the material side, we currently see that these effects are now overcome. We have suppliers, which are also lacking orders and where we also have some pricing power on the supply side and the general trends in general base materials, you know all, they are coming back to pre-COVID levels, slightly above pre-COVID levels. The pricing is cost plus. These are not the decisive topics at the moment for an end customer to decide whether he will buy or not.

Matthias Pfeifenberger

Thank you, Akash. The question comes from Daniel Lion from Erste Group. Okay. We maybe move to Peter Rothenaicher from Baader Bank.

Peter Rothenaicher

Yes. One question on the message you published yesterday regarding the carbon capture plan. Can you comment a little bit about this? What is the technology behind? What is this project worth?

Do you see here some technological risks? And how big do you see the opportunity here to get then the final capital order?

Joachim Schönbeck

So on the -- what we have published the last days, I think this was -- you're referring to the FEED study we're doing for Kristinestad. And that is a FEED study for the carbon capture plant and not an order that can potentially end in an order, but that will be definitely then awarded in 2025. It's the same project where we conducted the FEED study for the green hydrogen plant. So therefore, now this is the second, and their target is to produce synthetic fuels from that. So that is going on. I'm afraid I cannot tell you the technology we are using. But I can -- yes, I can -- we can provide it later.

Peter Rothenaicher

Okay. Then regarding metals processing. So what is -- a few here, do you see here also some bigger orders coming up as this customer restraints now gradually been overcome. What can we expect here?

Joachim Schönbeck

Yes, we expect -- we see an increase in project activities, and we see that across the regions. It's in Europe. It's in North America. It's in Asia. So a lot of that is driven by e-mobility. So grain-oriented, non-grain-oriented silicon steel, many projects are going on. And I think we have good technology proposals there. Adding to that, the steel industry is driven a lot by utilization and wear. So if there is a period of very low investment, yes, customers need to recover because they need to update their plants. So we are -- we're looking a quite positive market development there for the second half.

Peter Rothenaicher

And regarding Hydropower, we have seen in the first half relatively low order intake. On the other hand, you mentioned that project activity is strong. So do you expect here then for the second half of the year also some bigger orders to be booked?

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Joachim Schönbeck

Hydropower, we have an order intake in the first half almost €800 million. If we look over the historical development, I would say it's not on peak, but it's definitely on a good level. In the absence of a large order, we expect to see a stronger second half, yes.

Matthias Pfeifenberger

Thanks, Peter. We'll try again with Daniel from Erste Group.

Daniel Lion

I hope it works now. Yes, I would like to focus a little bit on your strong dynamics on the Environment & Energy segment. Do you see any kind of capacity limitations? And how do you expect the segment to continue, especially also reflecting on scalability, economies of scale? Are your current margin targets still realistic?

Or does it -- is there a good chance that we might see increases here? Actually, when we look at your shifts, they seem to somehow bring down profitability a little bit. But on the other hand, when you look at the peers achieve much higher profitability levels could be definitely justified. So what is your take on these 2 aspects?

Joachim Schönbeck

So the -- we would -- we see capacity, we are building up capacity cautiously, but steadily, yes, along as what we see in the market development. And we do not see the risk that we will run into capacity constraints over the next months or this year or next year. On the profitability, I mean, you see a drop, 11.2% to 11% for the first half year, yes. But on the other side, you have to see that the service share dropped from 43% to 38%. So I would say we are not unhappy with the profitability there.

Do we have higher profitability targets? Yes. And we have been communicating that. And for sure, everybody has to carry his share to reach these targets, yes.

Daniel Lion

Okay. And then I would like to look a little bit on M&A. On the M&A side, do you see maybe more targets popping up currently? Or how is the M&A side developing in your view?

Joachim Schönbeck

We have, I would say, no significant change. We have targets we are currently looking into. You will be among the first ones, we will tell you when there is something to report, yes. And we continue, our focus in service is digitalization and for sure, complementary technology, in particular, for these new areas that we have opened regarding the green transformation.

Daniel Lion

Okay. And then lastly, especially also related to this green transformation. You state 25% of revenues to be green. I guess this is taxonomy based. How do you -- what potential do you see going forwards? Which part of the revenues that is currently not classified as taxonomy-eligible or not proven based on the taxonomy regulations, how much of revenue would you, from your side, classify as green overall maybe potentially even setting the target for the revenue share to be classified as green going forward?

Joachim Schönbeck

Yes, thank you for that question. So we have a target. We want to be above 50% in 2025. That is next year. And we, for sure, will not stop there.

We will increase that. Our idea and our plan is to reach these 50% from growing the green revenue and from growing the new products that we have developed rather than reclassifying revenue we have, yes. So that's the underlying operating model. And we are quite positive. And for example, this order from Södra tells us that there is a clear demand, yes, for these new technologies.

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But for sure, yes, it can delay half a year. It can delay a year, yes. But using more efficiently the resources we have and investments into recycling and circular economy for sure will come. And we are -- we know that we are readily prepared with good technologies.

Daniel Lion

And how would you break it down on division level? Is it just to bluntly adding Environment & Energy and Hydropower to arrive at the 50%? Or is it more complex to arrive at this 50%?

Joachim Schönbeck

No, it's more complex. It's -- but I mean all our businesses are working with the customers, but we have, on the metal side, electro-mobility is working in that area. On the Pulp & Paper side, these side streams and circa to 0, is this lignin separation, sulfuric acid generation, textile recycling. So I would say it's spread out in various business areas.

Matthias Pfeifenberger

The next question comes from Lars Vom-Cleff from Deutsche Bank.

Lars Vom Cleff

Two quick ones, 2 quick questions remaining. I mean, if I do a back of the envelope calculation, you will now need a 3% revenue growth in the second half of this year to reach your full year target showing flat revenue. Where do you expect this growth to come from? Is it mainly Environment & Energy? Is it the recovery in Hydropower or more service business?

That would be my first question.

Norbert Nettesheim

Yes, it's, let's say, more or less a spread of all business areas. It's clearly out of the order backlog which we are executing, it's the service business which is contributing where we have a lot of business which doesn't really go to the order backlog. And don't forget there is a second half of the year, where we also will get the one of the other order, I hope. And also these new orders which we get in the second half will contribute to sales, yes. And when you look in the past, we have usually the second half higher sales.

And it's not specific in 1 business area, which we expect to grow more or less. It's simply the seasonality of the business and the year. So we are still confident to get this €4.6 billion into our sales books in the second half.

Lars Vom Cleff

Okay. Perfect. And sensing your optimism, I guess, the answer for my second question will be relatively comparable. I mean are you starting to get worried about being able to show revenue growth in '25, leaving aside the year '26 targets, given how the order backlog and the order intake currently develop or have developed year-to-date?

Norbert Nettesheim

Yes, it will depend. It will depend on when the big orders will come, as earlier is better. Joachim explained project activities are picking up. So we are pretty confident that the things will not, let's say, postpone further into the future, it will rather be earlier. And then we are -- when we get by the end of the year or in the latest in the first months of the second -- of the next year when we get these larger orders in, then we are confident that we -- next year, we'll do the next step in the direction, of course, of revenues also.

Matthias Pfeifenberger

Thank you, Lars. We have a follow-up from Akash from JPMorgan.

Akash Gupta

Yes. I wanted to get a bit more color on this craft lignin production solution that you have sold to Södra. But not to this order, but in general, if you can talk about what could be the addressable market for this solution? What could be value of a typical solution? Is it in double digit or triple digit?

And also, when we look at payback period for customers, can you also elaborate on what sort of payback periods are for customers to consider such an investment?

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Joachim Schönbeck

So unfortunately, the payback time of our customers is not available to us. And I think -- but you can refer to the information they provide. If we talk about lignin separation, I would say as we typically talk about a middle to high double-digit order. It's a highly valuable raw material, this lignin. It has a high energy content, and it can be used as a base material for many chemical applications, and it can be used for many e-fuel applications.

That for sure depends, I would say payback periods and the economical viability definitely depends on the market prices, for example, for e-fuels or for sustainable chemicals. But we see a market developing there. We see it, I would say, developing a bit slower than what has been estimated 5 to 10 years ago. But that huge investment by Södra definitely proves there is an economy behind, yes, and there is trust in the technology.

Akash Gupta

And maybe just a quick follow-up. Is this a technology solution specific to Andritz? Or do you have other competitors that are offering similar solution as well?

Joachim Schönbeck

I'm -- I believe we had been in competition for that. But I think our solution for sure is proprietary, and it's based on our own technology. So it's not an off-the-shelf commodity technology.

Matthias Pfeifenberger

Okay. Thank you, Akash. There are no further questions, this concludes our Q&A. And I'd like to hand back to Dr. Schönbeck for any concluding remarks.

Joachim Schönbeck

So I thank you very much for attending the call, and I hope for your good wishes that the markets will develop in a favorable way for Andritz. Thank you very much.

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