Bayer AG

Q3 2023 Results

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Transcript

Speakers:

Operator

Dr Jost Reinhard

Bill Anderson

Wolfgang Nickl

Rodrigo Santos

Stefan Oelrich

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Operator

Ladies and gentlemen, thank you for standing by. Welcome to Bayer's investors and analysts conference call on the third quarter 2023 results. Throughout today's recorded presentation, all participants will be in a listen-only mode. The presentation will be followed by a question-and-answer session. If any participants have difficulty hearing the conference, please press the star key followed by zero on your telephone for operator assistance. I would now like to turn the conference over to Jost Reinhard, Head of Investor Relations of Bayer AG. Please go ahead, sir.

Jost Reinhard

Thank you very much, Alice. Good afternoon, good morning, everybody, and a warm welcome to our conference call for the quarterly earnings 2023. I'm Jost Reinhard, and I have the first time the pleasure to be here as the new Head of Investor Relations for Bayer. Thanks for joining the call, and I look forward to working with you and connecting with you going forward.

For today's presentation, Bill will start us off, and we will then have Wolfgang presenting the financial performance for Q3 and the outlook for the year, followed by Rodrigo, Stefan and Heiko, who will dive into the divisional performances and their outlook for the divisions. Afterwards, Bill will share an update on our strategic review and the progress already made in the last 90 days. Followed from there, we will have the Q&A.

I'd like to start by drawing your attention to the cautionary language that is included in our safe harbour statement, as well as in all the materials that we have distributed today. Now, with that, I hand over to you, Bill.

Bill Anderson

Well, thanks very much, Jost, and thanks to all of you for joining the call. You've all seen the Q3 results that we published earlier today, and the results came in largely as we expected, of course, knowing that Q3 is never our strongest quarter. The important message is that, based on where we are and what we see for the remaining quarter, we're confirming the updated 2023 guidance that we shared with you in July.

We know that this is still going to require a strong fourth quarter, and we're focused on delivering exactly that. And the team, I think, we're very confident in our outlook. So, with that, let me hand it over to Wolfgang for more on the numbers, and I'll share more on our strategic direction later in the call. Over to you, Wolfgang.

Wolfgang Nickl

Thank you, Bill, and hello also from my side. Let's first look at our third quarter results. Q3 is our smallest quarter in terms of sales and earnings, largely driven by the crop science business cycle. On the currency- and portfolio-adjusted basis, sales came in on par with the prior year. As reported, however, we saw an 8% decline impacted by portfolio effects from the divestment of our Environmental Science Professional business and additional Pharma divestments.

The bigger impact was driven by foreign exchange rates, though. Topline in all three divisions was impacted by significant X headwinds, summing up to about €740 million on group sales in Q3 alone, and €1.2 billion in the first nine months of 2023. On the bottom line, FX effects were less pronounced. Nevertheless, we also saw roughly €150 million negative impact here for the first nine months of the year.

Our EBITDA before special items came in at €1.7 billion, which is 31% or about €770 million below the prior year quarter. Most of the decline was driven by our crop science business impacted by lower pricing for our glyphosate-based products and continued higher cost of goods sold, primarily also in our crop protection business.

Please note that, based on the business performance, we see a significant lower expense from short-term incentive provisions this year.

Lower earnings strength led into core earnings per share of 38 cents in Q3, which is 75 cents below prior year.

The core tax rate of 48% was particularly high in the third quarter due to one-time effects on a comparably low pre-tax income. In absolute terms, core taxes were below the prior year. For the full year, we continue to expect a core tax rate of around 23% as previously guided.

Reported earnings per share came in at -€4.66 in Q3, as you can see in the appendix of the deck. The delta is largely driven by non-cash-relevant impairment losses of approximately €4 billion in our crop science division, which were entirely triggered by higher capital market interest rates, and therefore a higher weighted average cost of capital.

Our free cashflow came in at €1.6 billion in line with the crop business cycle and our forecasts for the second half of this year. The positive cashflow contributed to a reduction of net financial debt to about €38.7 billion at the end of Q3, and this was partially offset by negative FX effects.

Let me now move on to our full-year outlook.

We confirm our full-year guidance at constant currencies, as revised in late July and then confirmed in August this year. The performance of our crop science division was in line with our expectations for the third quarter, and we continue to anticipate strong momentum in the fourth quarter for our business, particularly in LATAM. In pharma, we saw more headwinds in China than originally anticipated, but are confident to remain in line with the parameters guided previously. And also, our consumer health division remains on track.

We continue to estimate a roughly €1.7 billion headwind from foreign exchange rates in sales, and on EBITDA before special items, we now expect an FX headwind for the full year of about €200 million based on September month-end spot rates. For all the other KPIs, the FX impact is not material based on our latest estimates.

We are confident to achieve our full-year guidance based on the results we have seen in the third quarter, and based on our actions and projections for Q4.

Looking ahead into next year, we must acknowledge that certain market dynamics, our portfolio and some of our underlying assumptions have changed materially since we last provided 2024 targets back in 2021. Based on current market dynamics and first insights, we expect a challenging 2024. Our growth outlook is likely to remain soft, and we expect to see continued challenges to our profitability. For crop science, generic glyphosate reference pricing is back to historic levels, and we see a softer corn commodity market entering next year. In pharma, pricing and reimbursements in key markets remain under pressure.

While we continue to drive our launches and innovation, we expect significant negative mix effects to continue. We also expect inflationary pressure for all three businesses to remain high on above pre-pandemic levels. These effects are partially offset by ongoing cost savings and price increases where possible. Based on forward rates, we expect FX to be a headwind on sales and earnings next year. The financial result will likely be impacted by increased interest rates.

These are just some of the vectors we are considering carefully in our financial discussions, which are currently ongoing. We will provide guidance for 2024 during our full-year earnings call in March. And with that, Rodrigo, I hand it over to you to walk us through crop science performance last quarter, and the outlook.

Rodrigo Santos

Thanks, Wolfgang, and thanks everyone for joining us today. In what is always our season low, third quarter, crop science sales came in slightly better than expected, with sales growing 1% on a currency- and portfolio-adjusted basis. This was the net effect of 9% sales growth in our core business, and a 23% decline in sales of glyphosate-based herbicides. These resulted in the expected near-zero EBITDA before special items, with continued inflated costs and lower glyphosate pricing outweighing pricing in the core, current tailwinds, and ongoing efficiency measures.

If we look at our performance by business entities for Q3, we saw double-digit percentage sales growth in both corn and soybeans coming from higher prices in corn globally and higher licencing revenue in Brazil soybeans. We also saw the expected volume recovery in crop protection, particularly in fungicides in LATAM, as well as in glyphosate, where shipments have been very strong following our price reset.

With this momentum, we are confident to achieve our full-year guidance, where we continue to expect 5 to 7% sales growth in our core business, while glyphosate sales normalise. Every region is contributing nicely to our core growth, and corn and fungicides stand out with double-digit percentage sales growth for the year. This will be our third year of strong sales growth in our core business, with more than 10% growth in 2021, 6% in 2022, and now 5 to 7% in 2023. In addition, we're still tracking towards a 21% EBITDA margin before special items.

Continued strong recovery in LATAM for crop protection, where we have been disciplined in managing our retail partner channel inventories, plus global cost savings in lower short-term incentives expense underpins our confidence in our Q4 outlook, and drives the expected year-over-year growth in EBITDA in the fourth quarter.

To provide the transparency that you've requested, we continue to disclose the sales of the glyphosate-based herbicide sector. As you can see on this slide, we expect our 2023 sales to normalise back close to the 2020 levels following the reversion of the Chinese generic reference price to the 15-year median, despite the short-lived modest uptake in July. You should assume this median price will be the baseline for our planning going forward.

So, let's look at a few more variables to consider for 2024, in addition to what Wolfgang laid out. Improvement in the U.S. corn stocks to use ratio and the related softer corn commodity pricing could translate to a four to five million fewer planted corn acres in the US next year. Additionally, the war in Ukraine continues, further diminishing corn acres and demand for crop inputs in that part of the world. And meanwhile, in APAC, Australia, is signaling lower planted corn *[should be: cotton]* acres next season in a high-value market for us.

Also, with recent announcements, it's become clear that crop protection inventory levels in the channel for our peers have been elevated, leading to our lower crop protection pricing across the industry as they destock. And many expect this to persist in the new year. Good news is, our channel inventories are in good shape, and we anticipate volume growth in crop protection next year, as well.

Finally, like many in the industry, we are still working through our higher-cost crop protection inventory, and continue to expect elevated COGS through most of next year. While these dynamics can be daunting, with our track record of innovation and operational excellence, we are well positioned to effectively manage and continue to deliver our vision for regenerative agriculture.

On that note, I was particularly pleased to see this leadership recognised with a recent upgrade in our ISS ESG rating in the World Benchmarking Alliance rankings in Food & Agriculture, and Nature & Biodiversity. With that, I'll pass it over to you, Stefan.

Stefan Oelrich

Well, thank you, Rodrigo, and a warm welcome to everyone also from my side. Our pharma division generated currency- and portfolio-adjusted sales on par with prior year's Q3, with slightly higher volumes being offset by pricing headwinds. From a regional perspective, sales grew 2.9% in North America, whilst the divisions prescription medicines in the US performed particularly strong, generating a double-digit percentage sales growth.

In contrast, unfortunately, sales in China declined double-digit percentage on the currency- and portfolio-adjusted basis. Part of this was due to a significant slowdown of hospital operations and sales rep interactions across the country caused by the country's anti-corruption campaign that started about three months ago. We're also seeing additional pressure from the development on franchises that have been subject to China's volume-based procurement programme, particularly Adalat and Xarelto.

For 2023's second half, we expect the sales headwinds to potentially sum up to around €200 million, and to continue into next year, also weighing on the performance of our launches.

On the profitability side, the Q3 EBITDA margin before special items came in at 31.7% on par with the prior year and in line with our guidance of quarter-on-quarter improvement, as we successfully balanced adverse product mix effects and ongoing R&D commitments by lower marketing spend.

Looking at our franchises in more detail, we once again saw our launch assets, Kerendia and Nubeqa, but also Eylea and the radiology business, performing strongly and offsetting headwinds in major parts of our mature portfolio that were largely related to the softness in China I had just mentioned to you.

Turning to Xarelto, we were delighted to see solid volume growth in some regions in this year's third quarter, but please keep in mind that expirations of this medicine's patents will continue in additional regions, with Canada this month and Japan by mid of next year, in its major indication.

And while we're confident about the strength of our European patent that covers Xarelto's once-daily intake that will expire in January 2026, we do continue to see generic manufacturers trying to challenge our existing market exclusivity. We therefore cannot exclude generics potentially being launched earlier, but of course we'll take vigorous action against any patent infringements, defending our intellectual property.

Q3 2023 was a content-rich quarter, I can say, in pharma. In our cardiovascular franchise, additional Phase III studies have been initiated for Kerendia and for Asundexian to complement the existing study programmes. In the early stage, we further advanced the replenishment of our pipeline with highly innovative therapeutic approaches from our platform companies, including the transition of BlueRock's cell therapy, bemdaneprocel, into Phase II next year.

And in oncology, we advanced the second drug candidate from Vividion's unique chemoproteomic platform into the clinic, starting a Phase I study examining a novel targeted alpha therapy to treat prostate cancer, and presented also encouraging Phase I data of a novel tyrosine kinase inhibitor targeting HER2 and EGFR activating mutations in non-small cell lung cancer.

Going forward, as you can see on slide 15, we are expecting a series of further pipeline catalysts to come over the next couple of quarters from early to late stage, and across our therapeutic focus areas. This will include Phase III readouts of elinzanetant, darolutamide, and finerenone, and potential submissions and labelling matches, readouts and starts of various cell and gene therapy studies in Phase I and II, and the start of another Phase I programme based on targeted radiotherapy, and the third Phase I programme from Vividion, just to name a few.

At the same time, we're also expecting to see progress on the commercial side of our pipeline, with first approvals of Eylea 8mg in our territories to come very soon. So, thank you for listening, and that concludes my part of the presentation. I hand over to you, Heiko.

Heiko Schipper

Yes, thank you, Stefan. It's my pleasure to walk you through our consumer health performance and the dynamics of this past quarter. In an ongoing competitive market environment with distinctive drivers by region, we grew sales by 2% on a cpa basis.

While EMEA and LATAM showed continued strong double-digit growth fundamentals, North America faced a slower sales performance. We see here our customers optimising their inventories to lower levels, given improvement of the supply chain situation post-COVID and an environment of rising interest rates and continuously elevated inflation levels. In Asia-Pacific, we saw further normalisation of nutritionals demand, specifically affected by the decline of birth rates in China, which impacts our maternal products portfolio.

On a very positive note, we managed to increase our EBITDA margin before special items by 50 basis points compared to the prior year. This is despite facing strong headwinds from currency and sticky inflation. This demonstrates that the added value of our iconic brands and innovation continue to be acknowledged by the consumers, and confirms our confidence to achieve our full-year ambition for growth of around 5%, as well as profitability at around 23%.

On a category level, dermatology with strong contribution from our Bepanthen and Canesten brand families, and cough and cold, grew across all regions, while pain and cardio grew particularly strong in Latin America. Demand for nutritionals normalised on elevated levels due to the beforementioned reasons in China. In allergies specifically, we are experiencing an overall softer allergy season this year, while Astepro in the US continues to gain market share.

This growth comes despite continued supply constraint, which particularly affected our digestive health category in EMEA. We are improving this supply situation constantly, and although it still limits our volume growth, our strategic pricing efforts were able to compensate for the effects of supply and sticky inflation. On the whole, we are optimistic that the supply situation will further improve in Q4, which we expect to trigger faster growth across our digestive health category and support the rest of our portfolio.

On the bottom line, we posted a margin of 22.2 *[%]* in Q3, which led to a margin of 23.1 *[%]* for the first nine months of 2023. And it's very much in line with our full-year guidance of around 23%. We diligently execute on our operational productivity programmes and continue active pricing management. This enables us to invest further behind our innovative brands and to compensate inflation-related cost increases and negative impacts from currency developments. Looking ahead, this performance leaves us on track to hit our 2023 targets and guidance for profitability, also.

Earlier, I mentioned our market environment, and one area that is becoming ever more important is the digital transformation. At consumer health, this materialises itself across predominantly four key areas. In the past years, we have moved very fast to shift our media to digital, increase data-driven marketing investments and personalised creatives for our brands. This led to strong increased consumer engagement, marketing efficiency, and improved return on investment of our marketing spending, ensuring we reach the right consumer with the right content at the right time.

We continue to also accelerate our e-commerce presence, having quadrupled our sales online since 2019, and acquired new businesses, which led to e-commerce becoming a major sales driver, currently up over 13% with further growth expected.

In addition, with the recent partnership agreement we signed with Mahana Therapeutics to commercialise digital therapeutics, we will deliver products that enable people to take greater control of their own personal health through world-leading digital solutions. This is among the first major investment of any global consumer health company in this area.

Beyond this, digital is helping us build a high-performing product supply ecosystem with an agile end-to-end planning approach. AI, machine learning, and automation through predictive business steering helps us to integrate commercial, operational, and financial planning, creating value across different business dimensions, and ultimately helps us better serve our customers and consumers.

With that, I thank you for your attention, and back to you, Bill.

Bill Anderson

Thanks, Heiko. Now, it goes without saying that, despite some of the great things you've heard about, we're not happy with this year's performance. Nearly €50 billion in revenue, but zero cashflow, is simply not acceptable, nor is the trajectory of our share price. The status quo is simply not an option for Bayer, and I've spoken to many of you about this. We share the belief that there's no quick fix for the multiple challenges that Bayer's facing. We are committed to the fastest path to value creation, and this is super important. Last time we spoke, I told you that all options were on the table, and since then, we've advanced our conversations.

So, we're looking closely at our structural options. We have an expert team that includes external financial advisors, and we're evaluating all of them. They're reviewing the market conditions, what structural changes would mean for our value creation, for our one-time costs, dissynergies, for cashflow and leverage ratios, tax leakage, and other criteria.

We have the full support of all members of Bayer's supervisory board in this analysis, and we're not wedded to one structure, and we're going to pursue the best course to ensure maximum value creation, and fast. Of course, we also have taken a close look at our strategy, our operating model, to see how we can get more out of Bayer's great asset base. And I'll say more about that in a second.

So, on the structural side, beyond maintaining three divisions, the main options would be a separation of either the consumer health or crop science, and both of those remain under evaluation. We continue to assess them seriously and openly. We've also taken some options out of consideration.

For example, we considered simultaneously splitting the company into three businesses. We're ruling that option out. It's just not feasible to do that all at once. A three-way split would require a two-step process. And we certainly will not pursue any structural moves that would come with a downgrade of our operational performance. So, we have to tackle Bayer's problems at the core. That's why we're moving decisively in a way that doesn't limit our option space.

So, this year we have zero cashflow projection, and if you divide zero by two, or you divide zero by three, it's still zero. So, that's why we have to move decisively and move forward now. So, we're going to regularly evaluate the company on our mission delivery, on our speed, our return on innovation, and our performance against peers. And we've already started making some really bold moves that will strengthen our option space.

The case for fundamental change is clear. That's clear to every Bayer employee. I've had hundreds of conversations about this in the last 90 days. And basically, everyone is alined. We need to move, and we need to move now. So, here's what we're doing.

So, first, we're going to focus everything on the mission. Second, we're driving innovation. And third, we're going to strengthen performance. And I'm going to go through those one by one.

So, first, let's talk about what it means to focus on the mission. Bayer has businesses that individually and collectively have a critical place, a critical role in the world. That's really nicely articulated with health for all, hunger for none. But unfortunately, that hasn't always been front and centre in our operations, and that must change. We're redesigning Bayer to focus only on what's essential for our mission, and then getting rid of everything else.

This requires a new operating system. We call it Dynamic Shared Ownership. And it's a radical realignment of the way a multinational company operates. In most companies, layers of management spend months on things like budgeting processes, performance reviews, target setting. By the way, none of those do anything for the customer. And Bayer's no exception. An incalculable amount of time and energy of very smart people goes into our annual forecasts and budgets and targets, and all the things that surround those things.

But despite all of that, of course, we have downgraded our original targets for 2023. That's a serious issue, and we're addressing it.

Dynamic Shared Ownership transplants the centre of gravity from internal processes hierarchically aligned to the needs of the people we're serving, and this is going to move decision-making much closer to customers. And it'll shift our focus from planning to action.

This is going to impact every role, every process, every activity in the company. In the future, virtually everyone in the company will work in small, self-managed teams that are focused on a customer or a product, just like small business owners would. Everything off mission has to go. And we're going to measure progress in rapid 90-day cycles that will translate into much faster customer response and product innovation.

Finally, this system also yields a major reduction in costs, because you simply don't need a lot of the management and coordination work that large companies have fragmented into thousands of boxes on the org charts over decades. Many specialised coordination roles won't exist as separate jobs. They're going to be built into a team's responsibility. I've seen it before. This really unleashes the full energy, the speed, the commitment of our people in a very powerful way.

Let's be clear. This is not simple restructuring. Bayer's had enough of that. By the way, in simple restructuring, you just take an org chart with 500 boxes on it, and you cross out 50 of them, but nothing fundamentally changes. And our employee survey shows that 90% of our employees have a lot of pride in working for a company with a mission like ours. 90%. But only 10% believe that our current system allows decision-making at the right level. I wonder if that's the 10% that gets to make the decisions.

That's easy to understand. In the past six years, the company has initiated several traditional cost-cutting programmes. We're actually still in one right now. And these projects will run with the best intentions. But, as is often the case, the results have failed to show up in the bottom line in a sustainable way. Despite numerous reorganisations, the number of senior leaders has remained the same. There are still about 12 layers between me and customers. That's simply too much.

And this isn't penny-pinching. It's an entirely new way of operating, from a static command-and-control system to one where everything is centred on the needs of a customer. By the end of 2024, Bayer will remove multiple layers of management and coordination. And this step is going to unleash our teams with the mission focus necessary to turn things around. And the measure is simple. 95% of the decision-making in the whole organisation is going to go to the people doing the work.

In the past 90 days, we've already gotten started. Here are some examples. We've made leadership changes in our human resources and transformation area, in strategy, investor relations teams. We're making a number of additional changes at senior levels. We've also combined our impact investment arm, LEAPS, with our Pharma business development and licencing unit.

All three of our businesses have designed plans to overhaul their commercial models. That's amazing. All three divisions in that period of time overhauling the way they interact with customers. They have a much clearer and stronger impact. And we're already launching the first of these systems in test markets as we speak. To date, we've rolled out the system now to 2,500 Bayer employees, starting from zero in July. And by 2024, it's going to touch the entire organisation. This is a profound shift, and we're taking out a lot of work, and that's going to include a significant reduction in the workforce.

Since our last conversation, I've been in regular exchange with our employee representatives. They're a very valuable and supportive partner in this system change, and I'm grateful for their trust and ongoing exchange as we shape the best way forward.

I fully expect the result to be more meaningful jobs. This is jobs where people have the freedom to act like an owner, and we're going to make the jobs more meaningful, more innovation for our customers, and a better performance for shareholders. So, we also anticipate significant and sustainable savings. We'll share details of this at capital markets day in March 2024.

Our second priority is advancing innovation. We're doubling down on everything that drives growth, and we're radically streamlining everything that doesn't. When I joined the company, I saw two things very quickly, very clearly. The first was an extensive landscape of administration and controls. The second is tremendous innovation potential.

But let me give you an example when I say administrative controls. So, the company has 1,362 pages of Bayer-specific central rules and regulations. They even have a special name. And seriously, we have resources dedicated to promulgating these 1,300 pages of rules all around the world for every Bayer employee. We're going to consolidate that dramatically. We're going to reduce it by 99%.

I already mentioned the countless hours spent on forecasting and planning. We're streamlining that process. We're aiming for something like an 80% reduction in the amount of time that leaders and people of Bayer are spending on planning, forecasting, target setting. All of that energy is going to be redirected to getting the most out of the company's great assets.

We have products and market with good momentum, like Nubeqa in pharma, or the Intacta 2 Xtend soybeans in crop science. We have great things in the pipeline. We have the Preceon Smart Corn System, which is expected to launch next season in the US. Consumer health continues to advance personalised health offerings.

In the past 90 days, we've expanded our Phase III programmes behind Kerendia and Asundexian, as you heard from Stefan. And our consumer health division continues to pursue differentiated Rx-to-OTC switches, where our scientific capabilities are a big advantage.

That's just some of the innovation that's happening at Bayer, and that's what we're concentrated on delivering. By introducing more product centricity to our R&D model, we're going to deliver faster and more productive innovation.

Finally, let me say a few words about strengthening performance. Bayer's bureaucracy doesn't just weigh on people's time. Of course, it impacts results. Just as we're simplifying the organisation's focus on the mission, we're going to simplify incentives. The supervisory board will put forward a proposal to the 2024 shareholder's meeting for approval that aligns our remuneration closer to what matters for our mission and what matters to you.

Here's some initial details. The supervisory board is working on a remuneration package in which the management board and I will be assessed according to a clear, transparent set of financial and sustainability KPIs. Previously, 40% of our long-term incentive was adjusted by the way our share price performed, in the future proposal aims to double that figure to 80%.

I expect sustainable growth and free cashflow are also of importance. Free cashflow is particularly relevant, given our anaemic performance this year, and the proposal measures our cash performance not on cashflow without litigation, but on cashflow as reported. So, the full details of this will be presented prior to the 2024 AGM, and we'll also sound it out with investors between now and then.

So, that's a 90-day snapshot of our progress. We're just getting started, but we're moving forward with speed and with diligence. I've been here before, and the results are definitely worth it. The sum of all these actions will be an organisation fully energised behind delivering a consistently better performance.

Everyone I talked to at Bayer acknowledges the need for change, for significant change. And our people are excited about what we're doing here. That unity is powerful. It's one of the many reasons I'm convinced we will be successful. We want to create sustainable value for all stakeholders. It's going to look dramatically different than it has in the past, and we have no time to lose.

In March of next year, we're going to be combining our full-year earnings call with the capital markets day. The agenda is clear. It's about delivering the best version of this company with the most speed, the least risk, and the best return. In the weeks to come, I'm going to seek conversations with many of you about our plans, and I want to thank you in advance for your contributions. Thanks again, and I look forward to your Q&A.

Jost Reinhard

Thank you very much, Bill, and thanks to all the presenters. And with that, we move to the Q&A. Let me please just remind you to keep it to two questions so we can accommodate the maximum number of participants. Alice, please open the line for questions.

Operator

Thank you. Ladies and gentlemen, at this time, we will begin the question-and-answer session. If you have a question, please press the * key followed by the 1 on your telephone. If you wish to cancel your request, please press the * followed by the 2. If you are using speaker equipment today, please lift the handset before making your selections. One moment for the first question, please. Our first question comes from the line of Peter Verdult with Citi. Please go ahead.

Peter Verdult

Thank you. Pete Verdult, Citi. I've got many, but I will be disciplined and stick to two. Opening gambit for the room, for Wolfgang or Bill, you opened the door to 2024 with some qualitative comments on growth and profitability. If I could push my luck and work through some of the vectors that you've laid out in the presentation slide, it seems that best-case scenario, EBITDA flat next year, core EPS barely above 5 once you take into account higher financial charges and potential tax rate increases. Now, I realise this is not the forum for official 2024 guidance, but given that you've opened the door and the incoming I've had today from investors, any help you could provide to dimensionalise that would be helpful.

And then, more simply, Wolfgang, second question. The dividend, is there any risk there? Is there a commitment? What is, given the balance sheet, the need to refinance? What is the state of the dividend? Thank you.

Wolfgang Nickl

Hey, Pete, it's Wolfgang. I'll get us started on this. Let's do the dividend first. Our position is the same one that I took along with my colleagues in August. We have a policy, and that policy says that we pay a dividend between 30 and 40% of core EPS. And where we stand right now, that is what we are going to execute. Yes, we have no free cashflow this year, but we have every intention to make that look much different next year, despite a weaker topline and a weaker profitability that we probably see, we have many other levels here on the cashflow, working capital, CAPEX side to do that.

I can also go back to 2024 and hand it over to Bill, if you want to add. But I'm afraid we went as far as we could come to open that out right now to provide you some vectors, because we have also seen the consensus for next year, and we felt it's important to point out that we have a bit of softer growth. I've given you the reasons. You have heard my colleague, Rodrigo, talk about it for crop, and you've heard Stefan talk about it in pharma.

And I think it's also pretty clear that on the cost side, inflation, as much as we want it, it's not going away. You saw free cashflow weak this year. As you can imagine, some of the inflation is therefore still sitting in the inventory and is hitting the P&L next year. I think you are well aware what's happening to interest rates, and we are not immune. Yes, you've seen us refinancing. You monitor the forward rates on FX. Only 80% *[should be: rather 20%]* of our business is in the eurozone. We do a lot of business in developing markets. And that all is weighing into that calculation.

I'm pretty sure many on this call want a lot more numerical guidance there, but at this point I think we have to leave it to the vectors, as described by me and my colleagues.

Peter Verdult — Understood, thank you.

Bill Anderson — Yes. Thanks, Wolfgang. I might just add, I think we all, speaking for all the members of the board of management, we're very optimistic about the future of Bayer, and we're excited about the innovations we're bringing. The pipeline in crop has never looked as strong. And we see, for example, with the launch of the short stature corn next year, that's one of the next really big milestones in all of agriculture. In pharma, we're excited about the progress we've been making on the pipeline.

But the fact remains, in 2024 we have some headwinds, whether it's the interest rates or the FX, or we start to see the erosion of Xarelto this year, and we expect that to accelerate next year. I think everyone's asking questions about the agriculture cycle, and we have to play that out. So, I think we're very positive about the future, what we can do internally, and the long-term outlook for our businesses, but 2024 is challenging.

Peter Verdult — Thank you.

Bill Anderson — Yes, we can get the next question, thanks.

Operator — The next question comes from the line of Sachin Jain with Bank of America. Please go ahead.

Sachin Jain — Hi, thanks for taking my questions. Just two. One financial, and then one strategic. Some of the financial 24, Stefan, a little bit surprised to hear you call out Xarelto European situation. Can you just give a little bit more colour on that, and how you frame the probability of that risk to your own launches? I just wanted to be clear whether European Xarelto risk is reflected in the 24 outlook that Wolfgang and Bill have given. And also, just remind myself, if you could, that Japan and the large European countries are about 30% on Xarelto sales, so I just want to check that.

And then, the second question is to Bill. There was some media commentary that whatever you would do from a structural perspective might take five years or so. So, if you could just clarify that. So, whatever decision you announce in March, what's the path thereafter that takes so long? Thank you.

Bill Anderson — Sure, let's see. Stefan, do you want to come in on Xarelto?

Stefan Oelrich — Sure. So, thank you for the question, Sachin. So, here's the situation. So, you know that we have the use patent for an orally dosed tablet in Europe until 26. What we're seeing today is basically challenges in all countries. We've always said that that would happen, and that we would need to fight this through at a country level. We've had, so far, we've seen the Netherlands where we won in first instance. We've seen Norway where we've won in first instance. We've seen Australia where we've won in first instance the patent. But we basically have every other country to go through.

And then, we've also seen the submission in a number of countries of once-daily capsules of rivaroxaban. So, those will try to undercut our patent, so this will need to be challenged by us in court. And that's the situation. We believe in the IP, but this is going to be a matter of court action.

Bill Anderson — And Sachin, I think as far as our outlook, as always, we live in an industry with many sources of ambiguity, whether it's in product development or IP or patent defence. And so, we typically take probability-adjusted views on most things, and I think you can assume that.

I think the other question about how long structural moves would take, there might be a little confusion on that. I was asked this morning in the media interviews, what does the process look like for these structural options? And I explained nothing that will be new to any of you, but that from the time you decide you're going to do, say, a separation of a division, then that kicks into gear a process of typically 18 to 30 months of the pre-separation activities, followed by the actual market events of a spin-out or an IPO or a sale. In which case, then, there's usually some sort of a lock-up period, and then there's a cash-out period that often would last two or three years.

So, I think people were adding that up and saying four or five years. Of course, it doesn't take four or five years to commence something. That's maybe where you see the full cashflows. Does that make sense, Sachin?

Sachin Jain — That's very clear. The only question outstanding was the percentage of Xarelto that's Japan and Europe, if you could.

Bill Anderson — Yes, Stefan, the percent of Xarelto that's Japan and Europe?

Stefan Oelrich — Well, if you take currently Europe, it's a little over €2 billion out of 4.5. And Japan, I have to look it up, one second, and then I'll have the right number for you. Hold on.

Bill Anderson — Sachin, you can see from Stefan, you can ask us any question and we can come up with it in about 20 seconds. So, just shows our process.

Stefan Oelrich — And sometimes it's even longer than 50 seconds. So, Japan is roughly about €400 million and a little more, and counting, in sales.

Bill Anderson — Thanks, Sachin.

Sachin Jain — Thank you.

Operator — The next question comes from the line of Vincent Andrews with Morgan Stanley. Please go ahead.

Vincent Andrews — Thank you and good morning. Rodrigo, I just wanted to ask you a couple things about your outlook. First, it seems like in the fourth quarter, you don't seem too concerned about the seed business in Brazil and the tough farmer economics down there. And maybe the second crop of corn, having fewer corn acres, maybe that going to cover crop or soy. So, what's your level of indifference in Brazil these days between a corn acre and a soy acre?

And just on the comments for 2024, it also seems like maybe what you're concerned about is just that the corn acres might go down and might go back to soy, and maybe you're not going to be able to hold all those acres, given you've had

	some sort of tough share issues in soy with the trade issue. So, if you just talk about what is it that's driving the 24 concerns, and in particular if you're seeing any issues on price in the order book.
Rodrigo Santos	Thank you, Vincent. Let me start with that one, Vincent, because probably you saw also the report yesterday from the USDA that is very aligned to what we are seeing for the next year. So, a shift potentially of four or five million acres of corn and higher soybean. You know that corn for us is the most important crop. It's the more profitable, and we have a very significant market share in corn. Every time that we have a reduction on corn, it's not a positive thing for our business, so that's the key element. I still feel that in soybean, we have information also on this one that we are holding 45% share on our US business in our trait package. So, I feel that we are still going to be very competitive on that one, but of course the shift from corn is not ideal for us. Brazil, very aligned to what you wrote recently, that you see a potential reduction of safrinha corn in the second season, and we have around 40, 50% of that sales in Q4. But that's part of our plan. So, I feel that the key element of LATAM that will help, if you go back to Q4 of last year, we had a short volume of fungicide because of some supply constraints. We have a recovery of that this year. And, as I mentioned many times, our control of the inventories of the channel has been very, very disciplined, and we are monitoring that. And all the incentives, and all the plans that we have in Brazil is based on sell-out, not on sell-in to the distribution. So, that has been very helpful in the support of our Q4. So, that's why we are very confident on delivering a strong quarter in Q4. We came with a Q3 in our core business with 9% growth in the core, and we're expecting again Q4 to be strong, as well. But the dynamics are right. So, you see more soybeans, less corn for the next season not only in the US, but also second season of Brazil, as you said. Thank you.
Vincent Andrews	Thank you.
Operator	The next question comes from the line of Emily Field with Barclays. Please go ahead.
Emily Field	Hi, thanks for taking my question. One on the strategic review, just given that the separation of crop science does seem to be on the table, how much could that be impacted by how the litigation situation trends? In our investor conversations, a lot of investors are thinking that, given the

litigation overhang, that crop science wouldn't be able to stand on its own as an independent entity.

And then, a follow-up to that same question, after a very strong spate of wins and the ongoing glyphosate litigation, it does look like a couple of cases have gone against Bayer more recently. Are you changing your litigation strategy at all? How should we think about just how those cases are progressing in the US? Thank you.

Bill Anderson

Yes, great questions. First, I would just say in the strategic analysis on the structural options, that's exactly the kind of questions that we're grappling with. These are decisions that they don't take very long to make them. You can make a decision in a day. But you have to own the decision kind of forever, and there's a lot of, I would say, interesting dynamics related to the basic questions you would ask in any transaction, such as I outlined, but also things like the litigation. And these are all things that we have to take into account.

Beyond that, I can't say much more about it, but certainly we're giving that due consideration. And then, Wolfgang, do you want to take the question on the litigation outlook?

Wolfgang Nickl

Gladly. Hi, Emily, good question. First of all, don't assume that anybody is happy to lose cases. We're here to win these. But at the same time, we did not expect that we win every case. You can imagine that the other side is not bringing their worst cases first, and they also don't do it in the easiest jurisdictions.

Having said that, we won nine out of the last 12, and one of the three we lost was an award of €1 million. I can promise you that's not even covering remotely the cost of the other side, so that's not going to be a strong incentive to keep going. And the other two we have very strong arguments to appeal or get through post-trial motions successfully.

Our strategy, and I won't go into a lot of details, is really continuing to stay on pointing out the science to the juries in the various courtrooms. And I want to give you two data points that you probably have not digested yet or seen yet. Just yesterday, the Ninth Circuit Court of Appeals in California actually made it a permanent injunction, so that California cannot with Prop 65 put a cancer warning on the label of roundup in California. That's a very, very strong signal. As a matter of fact, it was called unconstitutional. And it was also cited that the science speaks for the label, as suggested by the Federal Government.

The second one that I wanted to point out that hasn't made it into the media much is a case in Hawaii, and it's not counted in the 12 cases that I cited, where actually the judge didn't even bring the case in front of the jury because of pre-emption. So, there are jurisdictions in the US that say federal law pre-empts state law.

And these are two additional facts that I think you should know. Besides that, I think you'll appreciate that we constantly adjust our strategy, but this is probably not the right forum to discuss it. But we're pretty agile here.

Emily Field	Thank you.
Wolfgang Nickl	You're welcome.
Operator	The next question comes from the line of Joel Jackson with BMO Capital Markets. Please go ahead.
Joel Jackson	Hi, good morning, everyone. I think, Rodrigo, in your remarks, you talked about peers and they and others and your competitors having more crop chem destocking issues into 24. I think it was when you were discussing some of the building blocks for crop size in 24. Can you talk about that some more? Are you trying to say that glyphosate has basically destocked, it destocked early, it was painful you're past that, and you see glyphosate outperforming the rest of the different crop chems? Or what were you trying to say?
Rodrigo Santos	So, let me share a little bit. So, in Q2, I already mentioned that, and I remember some of the questions that you made on that one. Both for our glyphosate, our inventory, and our CP business, we have a very straight management of inventory in the channel. We based all our plans on sell-out or usage by the farmers. We don't have an incentive on programmes on sell-in to the distribution. So, we monitor every month all the inventories that we have in the channel, and we always adjust our sales to not let higher inventories in the channel, because of the health of the business. And on Q2, I mentioned there was some competitors, generics, inventory in the market that was impacting the flow of sales. But, of course, that was adjusted, as well. But for us, this was very important since the beginning of this year on Q2, and then reconfirming on Q3 here. And we saw that happening. We saw that, in fact, happen in Q3, where we saw the sales. And of course, when I mention the market or the competitors is based on what I read about public reports and what was claimed about the other companies. But let me reinforce our plans here. And this is also important for 24. 24, we see more volume-driven growth than pricing because of what we were able to do in the last two years. And one of the reasons is because of our

inventory management has been very strict and very positive for us. So, you captured right. Thank you.

Joel Jackson

Okay. And for my follow-up, Bill, you gave really good colour on the kind of things you want to do with Bayer now. Management levels, bureaucracy weighing on time and performance. As part of that, you have a very large decision how you're going to restructure the company. Do you split off crop science? Do you not? You want to go fast, I imagine, on some of your restructuring. How do you balance restructuring in making this company ideal, optimised when you may have a huge split coming up? And the right structure might be different if you do split the companies. The structure might be different for a pharma company versus a pesticides and seed company.

Bill Anderson

Well, I think we've had a remarkably rapid alignment. Not just with the board of management, and others can speak up on this, but really with the leaders and the people of Bayer, and the employee representatives. Basically, everyone's saying, hey, enough. We don't like losing. We have really dedicated, talented people. We have great technologies. Nobody denies that. Somehow, it doesn't all come together in a way that's as powerful and as impactful as it ought to.

And we've come together on a system to make things a lot faster and a lot more streamlined. And basically, the people at Bayer are emphatic that they want to do this. The leaders of Bayer are emphatic about it. And we're just saying, hey, whatever financial structure we would end up in, we've got to do this. Because we owe it to our customers, we owe it to our shareholders, we owe it to our people to get stuff out of the way and get going.

And so, we had a lot of heart-to-heart discussions over the course of the summer. And again, not just with the people in this room, but with our senior leaders, with our employees, with the supervisory board. And basically, everyone said, we're going. And it's a race. We're basically going to see how fast we can go. Because some of the things that we're going to do have been done before. I had a lot of experience at my last company with this, and these are things that we experimented with, and we implemented over four, five, six years.

Nobody has time for that here. And I know our shareholders don't. And so, we decided we're going on a very ambitious schedule. We're going to try to break every record in terms of change, and we're going to try to have this new system affecting every part of our business by the end of 2024, which is lightning-fast for a fundamental redo.

So, I think, then we say, hey, is there a reason we wouldn't do this? And we can't think of one. Because we can say, what if we're going to split off this division, or split off that division? But right now, if we split something, and our cashflow is zero, that's not good enough. So, we've got to improve, period. And then, structural options are additional potential ways to unlock value. But we've got to do this. So, hopefully that answers your question. I'm happy if you want to follow up.

Joel Jackson	That's great for now, Bill. Thanks.
Operator	The next question comes from the line of Florent Cespedes with Société Générale. Please go ahead.
Florent Cespedes	Good afternoon, Florent Cespedes from Société Générale. Thank you very much for taking my questions. Two quick ones, please. First, for Bill, to come back on your comments about the pre-separation activities, and you talked about 18 to 30 months to prepare a potential separation, could you tell us how independent are the different divisions? If you would have to go for a separation of consumer health, it's fair to assume it will be quicker than the crop science bigger division. So, some colour on these potential options would be great. And my second question for Stefan. Stefan, could you elaborate on how do you see the trend in the situation in China going forward? Thank you.
Bill Anderson	Yes, thanks, Florent. I'm not sure it would be very easy to say which divisions are more or less independent or dependent. Right now, the setup we have is, we have a common backbone. So, we have common finance, legal, HR, IT. All of that is in common. And then, the divisions have their thing. It's true that consumer health and pharma are both in healthcare, but they have very different customers and fairly different kinds of products. So, it's not so obvious. There might be qualitative differences, but I think we felt like we're in the general sort of same time range, depending on which option we would pursue. And we don't see the timing as necessarily an obstacle to doing it. It's just a factor that we have to take account of when we think about costs and benefits and the amount of energy required. So, hopefully that answers your question.
Florent Cespedes	Yes, absolutely.
Bill Anderson	And then, Stefan?
Stefan Oelrich	So, bonjour, Florent. Good question on China, obviously,

because I think everyone with high exposure in China is suffering this year. Just as a reminder we had a tough start into January and February with the COVID shutdown. And then, that continued with the current campaign that I would like to once again emphasize is directed towards hospitals and not our industry. But as this touches, then, hospital buying patterns, we see this influence very much in this quarter and in the previous quarter.

So, what we're seeing right now is, activity is resuming, promotional activity, not to where we were before, but it's improving gradually. We'll see some improvement of that, I would expect, also into next year.

And then, there is a second dimension. It is volume-based procurement. And I think different companies are differently touched by this. I'm looking at a slide here of the top ten companies. And what I would invite you to look at is how big the exposure of companies is, depending whether they were in the first VBPs, which are sort of coming to their end and are moving now into provincial management, and the more recent VBPs, being VBP five to eight.

And Bayer is very much exposed to that latter group, which makes us, let's say, suffer a little bit more right now than some of our peer companies. That being said, with the innovation, China remains a very attractive market for launches. We're seeing, if you take this current last two quarters out, but when I look at the uptakes of Nubeqa and Kerendia, they're extremely encouraging in a country like China with its potential and its size.

So, China is going to remain for us a very attractive market going forward, but I would foresee, given that particular VBP exposure in these VBP five to eight, that Bayer is going to have a next year where in China we will not see growth. So, it's going to be another flattish year that we're going to see in China after a really tough 2023.

Florent Cespedes: Thank you very much.

Operator: The next question comes from the line of Christian Faitz with Kepler Cheuvreux. Please go ahead.

Christian Faitz: Yes, thanks. One question remaining, please. Coming back to litigation, can you please update us on the PCB settlement, and particularly pertaining to any pending litigation at this point in time? Thank you.

Wolfgang Nickl: Yes, hello, Christian. Real quick on PCB. Little movement there. You'll probably have seen in the special items that we have settled two states, Virginia and Pennsylvania. That was a concern to many people that could get closer to the outlier in Oregon, which we felt pretty confident about, and that didn't happen. It's also not the case that every other state has lined up, and I think we have three or four states that we're working with, so we're pretty confident there.

And then, nothing much to say about the personal injury cases. As you all know, we lost a few in the state of Washington. We're appealing them, and we're waiting for the appeal in the first case, which is called Erickson, but I'm afraid I can't go much further than that at this point, Christian.

Christian Faitz — Thanks very much, Wolfgang.

Wolfgang Nickl — You're welcome.

Operator — The next question comes from the line of Laurent Favre with BNP. Please go ahead.

Laurent Favre — Hi, yes, good afternoon. Bill, a question for you around the major restructuring that I think you're talking about in this so-called race. When we do simplistic benchmarking analysis, it seems that from a headcount productivity standpoint, you are 15, 20% below your pure play peers across the three divisions. Which potentially would point you not thousands but tens of thousands of headcount surplus.

Should we assume that the restructuring that you're looking at for next year is more about the structure and the management side, and then you will let the different businesses run with an optimal cost structure? Or are you looking at doing the whole cost part before you decide on the structure?

Bill Anderson — Yes, thanks for the opportunity to clarify on that. So, yes, we're going after the core stuff right away. We've begun. So, yes, it's pretty much an all-hands-on deck exercise right now, and it's going to remain that way for some time with our senior leaders, working closely with employee representatives.

And as I mentioned, as an example, re-looking at our go-to-market *[should be: commercial]* model in all three divisions, that's fundamental. It affects every country we operate in, and the roles, the way not just that the frontline salespeople are organised, but the folks who support, whether they're in the country, in regions, globally. And that's just one example. So, yes, we're talking about a thorough rethink and change in every role, every activity. And then, we're layering on top of that the structural question.

On the first part, in terms of the major kind of revitalisation, there's no question left on that in terms of the if. It's just a

	question of how much, how fast, how far can we go, and we're going to go as far as we can. And I think we have confidence there's quite a way to go on it. And then we'll layer the structural questions on top. Does that make sense?
Laurent Favre	Yes, okay, thank you.
Bill Anderson	Great.
Operator	The next question comes from the line of Steve Byrne with Bank of America. Please go ahead.
Steve Byrne	Yes, thank you. Rodrigo, I was curious about your level of interest in bolting on more biologics into your corn seed platform, particularly the ammonia-producing bacteria. You have partnerships with both Pivot and Ginkgo. What's your outlook there, and do you see that as a way to add more value into your corn seed business?
Rodrigo Santos	Thank you, Steve. Thanks for your question, and you're spot on. When we designed the vision for regenerative agriculture here, we see this opportunity to bring all those elements to help the farmers to produce more and restore more at the same time. One key element of that is, what you mentioned, biologicals. And there are other elements, of course. We are advancing very fast on digital as well, for helping on that one, to be more precise. And you mentioned, as well, that it's a very important element of our strategy. We have a lot of collaboration in place. We have partnerships established, and we are advancing further. So, just another one that we shared recently with you, the Cover Cress and how we are taking this to the next steps, as well, to the market. So, this will be a big part of regenerative agriculture. And just to reinforce, just taking this opportunity of your question to the comments that Bill made here today about the operating model. Our goal with the new operating model, with the DSO that we discussed, is also to unleash the potential for these breakouts and these new opportunities that we have. We are thinking about further growth for the future, and you're touching one of the key elements that we have for the next years. Thank you, Steve.
Steve Byrne	And then, just one quick follow-up for you. Are you already seeing competitive pricing in crop chemicals, or is this an area of more just concern in 2024, given a more challenging outlook for some of your competitors could lead to more competitive pricing? Or are you already seeing it?
Rodrigo Santos	It's the second one, Steve. I think that you nailed it with the

second one. I still don't see pricing established for the next season on crop protection, but it's more the concern that you lay out. So, when I read the reports about inventories, all the inventories in the market on the channel, you have a more dynamic challenge for pricing for the next season. So, that's more the second piece of your question. You're right.

Steve Byrne: Thank you.

Operator: The next question comes from the line of Falko Friedrichs with Deutsche Bank. Please go ahead.

Falko Friedrichs: Thank you. My first question is, at a high level, can you share some of the potential drivers for improvement in your free cashflow next year? And piecing your comments on today's call together, it doesn't sound like EBITDA is improving much next year. So, what are some of the other levers that you can pull to at least show a positive free cashflow next year?

And then, secondly, to the extent possible, can you help us a little bit with the financial results for 2024? Just so we don't completely model this wrongly. Thank you.

Wolfgang Nickl: Yes, Falko, good questions. I said it earlier. Obviously, our objective is not to stay at a zero free cashflow level. There's a few things that we're actively addressing. Number one, working capital. You will have seen that our inventory over the last two years has gone up very significantly, and that has to do with long lead times, that has to do with inflation that is still sitting in the inventory, and so, hopefully going down at one point in time.

We have a very strong focus on accounts payable. We've also noticed that our average terms are more favourable than other industry participants, so we're going after accounts payables.

And then, there is one thing, and I'm sure you have seen this, is just mechanics. We had a very, very good year last year on the business performance for 2022, and we paid the associated incentives in 2023. Now, unfortunately, our performance is less good this year, and therefore we will have less payment next year. So, these are just three examples on top of, of course, the profitability that you mentioned.

In the financial result, we collect a few items. First and foremost, obviously, interest. And I think there, you know what the dynamic is in the market. Interest rates are going up. We just issued a bond in May, June, and we just did a hybrid bond in September. And you're talking about higher interest rate. Obviously, the objective is to get the net financial debt down, so that you're applying that higher rate to a smaller number. We're super focused on that.

And, oh, by the way, most of our existing debt is in fixed rates. But real briefly, there are other elements in there like fair value assessments, and hedging cost, and they're a little bit harder to project. But in general, I would see a slight upward trend with the interest, because the net financial debt is not coming down as quickly as we originally thought. I hope that helps you, Falko.

Falko Friedrichs: Yes. And maybe a quick follow-up. Is it fair to assume that the amount you've set aside for litigation settlements, that that is a little bit less next year than this year? Can you already comment on that?

Wolfgang Nickl: That's hard to comment on.

Falko Friedrichs: Okay, thank you.

Wolfgang Nickl: You're welcome.

Operator: Today's last question comes from the line of James Quigley with Morgan Stanley. Please go ahead.

James Quigley: Great, thanks for taking my questions. I've got two, please. So, firstly, on asundexian. Last quarter, you seemed to be moving slightly ahead of expectations. So, are you still on track for 2025? And you've also expanded the clinical trial programme to patients with higher bleeding risk, so how do you think about the design of the trial here? And what could this additional population contribute to the potential peak sales of asundexian?

And secondly, just following up on the glyphosate litigation. So, at the end of 2022, you had about $6.5 billion in the provision. Obviously, there's been a few negative rulings recently. But could you let us know how much is left in the provision for both the holdouts and for future cases? And to what extent does the recent news increase any potential risk of that provision increasing in the future? Thank you.

Stefan Oelrich: Hi, James. Thanks for the question, and thanks for seemingly sharing our enthusiasm around asundexian. So, yes, we continue to directly enrol at a very fast pace into our trial, so that should keep our timelines as are. In the end, we'll always have to see that the study needs to accrue events. That will determine ultimately how fast we can come to an end of it. But we hope to be there somewhere in 25 so that we can get this in front of patients in 26. So, that's still on.

About the new study, we felt like there was this unmet need that currently really isn't covered from an evidence

	perspective. And that is in patients that are not eligible for current treatment, even though they should be anticoagulated, but the risk of bleeding keeps physicians from dosing patients like this with existing therapies like Factor Xa. And that's a large group.
	And we also believe that this gives additional weight behind our case for access, especially in geographies like Europe, where we're going to be facing big, big hurdles to climb, given the quality of existing therapies like Xarelto and others. So, we feel like this adds a really important dataset that should be explored, given the profile of the product. And we continue to feel very strongly about asundexian.
Wolfgang Nickl	James, really quickly, on the overall reserves, just shy of €7 billion on the balance sheet, you can assume 85, 90% of that is on glyphosate. A breakdown doesn't really make sense. I mean, we're following accounting rules here. Just that much, and having a reserve on the balance sheet is no licence to print cheques and send cheques. So, it's more or less an accounting treatment, and we're evaluating that based on the rules from quarter to quarter.
James Quigley	Perfect, thank you.
Wolfgang Nickl	You're welcome.
Operator	Ladies and gentlemen, we kindly ask you for your understanding that we have to close this call now due to time constraints. I hand back to Dr Jost Reinhard for closing comments.
Jost Reinhard	Thank you very much, Alice, and thank you very much for the questions and the interest. With that, we close the call for today, and I wish you all a great day.