

Bayer AG

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Transcript

Speakers:

Oliver Maier

Bill Anderson

Wolfgang Nickl

Rodrigo Santos

Stefan Oelrich

Heiko Schipper

Oliver Maier

Good morning and good afternoon, everyone. I'd like to welcome you to Bayer's second quarter first half 2023 results call. With me today on the call for the first time is Bill Anderson, our new CEO since June 21st. Bill, great to have you here. So, what's on the agenda for the call today? Bill will start today's call with his first impressions and insights since he took over. Wolfgang Nickl, our CFO, will then comment on the group results and guidance. Rodrigo, Stefan and Heiko will finish giving some major colour on the divisional performance and the respective outlook. After that, we will open the Q&A session.

As you might have realised, we have a different set-up including video in this call, and in the past it's been a little bit difficult to understand all the questions properly, so therefore I would like to ask everyone to use a landline for good audio quality. Headsets or cell phones should not be used to ask questions.

As always, I would like to start by drawing your attention to the safe harbour statement, the precautionary language that is included in our safe harbour statement, as well as in all the material that we have distributed this morning. And with that, I think I'm done and I'll hand it over to you, Bill.

Bill Anderson

Thanks, Oliver. And good luck to all of you if you're looking for a landline. I just saw that and I thought, does anyone still have a landline? That's good. Anyway, great to have a chance to interact with all of you, and I'm really excited to be here. I want to welcome you, thank you for joining our conference call. Today marks my first chance to speak with you in this setting, and it's really a pleasure to do so.

I'm going to start with brief remarks about our 2023 business performance, and then I would like to share some reflections on my first thoughts with the company. Finally, I'd like to highlight what you can expect from me, from the management team, and Team Bayer in the next few months and going forward. Let me start with Q2 and our 2023 outlook. As you know, we had to lower our 2023 guidance at the end of July. This was largely due to glyphosate-related declines in our Crop Science business, but obviously that's not an easy message to deliver.

Trust is all about keeping our commitments, day in and day out. There's not much more to say other than that. We just have to do better and, with that, to win back your trust. And I see a lot of potential for that. I don't want to dwell on the past. There's a huge amount of trapped potential in our people, our performance, and our pipelines, and I'm convinced that we can unleash it.

This brings me to my first impressions of Bayer. After joining the company a little more than four months ago, and starting my tenure as CEO in June, I've had the opportunity to travel the world and get to know a vast spectrum of Bayer's people, our

partners, our customers and shareholders. Though each of these stakeholders sees our company from a unique vantage point, I can tell you that their feedback shares important themes. People see the promise and the potential of Bayer. We have an important mission that resonates with everyone. And we have businesses in growth industries that matter to people and to the planet. I am convinced we can unlock significantly better outcomes if we change the way we operate.

In June, our market-leading Crop Science business articulated a vision for regenerative agriculture that's good for on-farm productivity, it's good for farmer incomes, and it's good for the earth. And the faster we can translate this into revenue growth, the better for all. It's great to see the first registrations coming in for our Preceon Smart Corn System, a climate resilient version of one of the most important crops for agriculture and Bayer.

Our Pharma business continues to generate outstanding momentum on its new launches. We're ahead of schedule with the recruitment of our phase-3 study programme with asundexian, and we have received fast-track designation from the FDA for both the indications that we're currently pursuing. I've gone through patent expirations before, and you don't save your way through one. There are times to focus on margin optimisation, and we are being extremely careful with every euro, but right now it's crucial for us to maximise the launches.

Consumer Health continues to generate growth through innovation, through pricing, and by expanding our iconic brands to new markets. Looking ahead, the team is totally focused on beating the market through superior execution as well as self-care products that are underpinned by strong science. There are opportunities across the company. Our people are ready to go after them, but – it's clear that we haven't realised our full potential. I have heard it from everyone I've spoken to. And we have to act on it.

The litigation overhang, the corporate bureaucracy, debt levels, these all weigh on our ability to focus on the mission. And we need to be honest with ourselves. If you have those things distracting you, are you then able to truly claim "Health For All, Hunger For None" as our mission?

That's where the question about the company strategy and the structure comes in. This is the question the management team and I are dedicating most of our time to, so I would like to outline how we're approaching it.

Put simply, nothing is off the table. In my first months with the company, I've asked difficult questions and I've had a lot of difficult questions asked of me. And I am grateful for those experiences. We're creating an environment where the most

difficult questions are the ones that we ask of ourselves. And we're going after the answers with rigour, with objectivity, and with speed that our stakeholders deserve. We have an open mind and we're leaving no stone unturned. And that's the attitude we are taking to our strategy and our structure. So I'm working with the management team on that, but I'm also in very close contact with the supervisory board and the employee representatives.

And foundational to all of this work are three simple priorities the management team and I have defined for Bayer. I want to share these with you because, as company leadership, it's our job to consistently deliver these priorities.

First, a fulfilled and productive workforce.

Second, world-leading innovation.

And third, superior financial performance.

And it's clear that none of us will be satisfied with anything less. We're going to be measured against these priorities, and they're going to guide every single strategic decision we make. I think that's the focus that Bayer needs right now. It's the focus that our people deserve, our customers deserve, and you deserve. And that focus, together with our assessment of strategic options, is an exciting place to be.

And my team and I look forward to updating you in the coming months on our considerations, before communicating detailed plans and financial targets in early 2024. So, with that, let me hand it over to Wolfgang for a closer look at the current figures.

Wolfgang Nickl

Thanks, Bill. And hello, everybody, also from my end. You have all seen our Q2 figures and our revised outlook for the full year. I would like to focus on some more background information during this call.

Group sales declined by 8% on a currency and portfolio adjusted basis to €11.0 billion. Out of that, the drop in glyphosate-based herbicides sales accounted for €1.2 billion driving the 18.5% drop in our Crop Science business for the quarter. Our Pharma topline was flat and Consumer Health grew by 5%.

In Q2, our topline was hit by currency headwinds of about €550 million compared to a significant tailwind last year. Our EBITDA before special items dropped by 25% to €2.5 billion, again largely driven by the volume and pricing declines in glyphosate-based herbicide sales, as well as ongoing high levels of cost inflation and continued investment in Pharma innovation. The FX effect on earnings amounted to about minus €120 million. This all was partly compensated by continued savings and cost contingencies.

Also, and as a logical consequence of a remuneration scheme that reflects the operational performance, we reversed about €480 million of provisions for short-term incentives for the group with a positive effect on earnings in Q2. Altogether, EBITDA margin before special items came in at 22.9% for Q2.

Our core financial result was in line with the prior year and our core tax rate came in at 23.7% for the quarter.

Core earnings per share of €1.22 are about 70 cents below the prior year and mainly driven by the effects I just mentioned. The main difference between core earnings per share and reported earnings per share of minus €1.92 is a non-cash net impairment we took in our Crop Science division in Q2 of about €2.3 billion.

Let's now take a look into our free cash flow developments. In Q2, we recorded a negative free cash flow of €473 million compared to positive €1.1 billion last year. For the first half of the year, our free cash flow amounted to minus €4.6 billion compared with about zero last year. The major part of this drop relates to lower operating cash flows in the Crop Science division, driven by the business decline, as well as higher trade-related working capital. Also, settlement payouts were about €890 million higher year-to-date, due to the PCB related payments we made at the beginning of the year.

As a result of the negative free cash flow and the dividend payout for last year during Q2, net financial debt increased to €39.6 billion by the end of the second quarter.

I would like to stay on free cash flow for just another minute since most of you are probably asking yourself why we reduced our full year guidance from about €3 billion to zero. The main delta is driven by Crop Science. Rodrigo will talk about this in more detail, but our overall growth and profitability expectation for the year have reduced largely due to glyphosate. We also expect slower inventory reduction compared to our previous forecast due to long cycle times and contractual obligations.

In addition, we expect lower operating cash flow for our Pharma division due to lower gross profits, higher R&D investments and accelerated launch inventories. As you can expect, working capital management is on top of our agenda throughout the organisation, and we keep laser-focused on delivering on our cost saving targets.

Let me also briefly comment on dividends. As you all know, we have a policy in place, to pay out 30% to 40% of the core EPS for a year in the following year. I do not expect this year's free cash flow development to be a trend at all, and it should therefore not impact our dividend policy. We currently expect core EPS in the range of €6.20 and €6.40 for the full year.

Let me now highlight a few more details on the group outlook that we provided already at the end of July. As you know, we always guide on a constant currency basis. Our latest estimate based on quarter-end foreign exchange rates amounts to a €1.7 billion headwind for our topline. This is the same number as previously guided but effectively calculated with updated exchange rates on lower sales. Please note that the FX effect on the bottom line is not expected to be material.

Based on the lowered free cash flow guidance we discussed, we now expect net financial debt to come in at approximately €36 billion at the end of 2023.

Finally, and just for your models, we now expect a reconciliation result of about minus €500 million, mainly due to lower incentive assumptions. All other group KPIs are unchanged, as you can see in the back-up of our presentation. And with this, I hand over to you, Rodrigo, to cover Crop Science developments and the divisional outlook.

Rodrigo Santos

Thanks, Wolfgang, and thanks to all of you joining us today. As we move to Crop Science, it's really a tale of two businesses, glyphosate and our core business, which is made up of our innovation-driven seed, trait, digital, the new businesses, and remaining crop protection segments. This core business is the focus of our investment, lays the foundation for our growth, and is vital for delivering our vision of Regenerative Agriculture that we presented to you recently in New York and was mentioned by Bill. So, during this presentation, I'll share how we are performing in the core business in the first six months, for the outlook for the year, and a deep dive into an important segment.

Starting with our results for the first half of the year and building on the Q2 results you can see in our appendix, total Crop Science sales declined 9%, currency and portfolio adjusted. This was the net effect of nearly €560 million, or 5% growth, in our core business, and a €1.8 billion, or 61%, decline in our glyphosate-based herbicide sales. The growth in our core was driven by 10% pricing gains, supported by new products launched, which outpaced the volume decline. The latter was due mostly to two factors, weather-related declines in fungicides in EMEA and LATAM, and lower planted acres and licensing revenues in soybeans and cotton in the US.

For glyphosate specifically, the more than 60% decline in sales year-to-date came more from volume than price. This decline in volumes came mostly in the US, where we saw general inventory de-stocking efforts from our retail partners, as well as a reduced weed pressure due to the drought conditions in a significant portion of the corn and soybean growing regions. As a result of this drop in glyphosate sales, our overall Crop Science

EBITDA declined year-to-date, and the margin before special items fell to roughly 30%, in line with the levels seen in 2021. This compares to the approximate 36% margin we delivered in 2022, which was elevated due to the outperformance of glyphosate pricing. Strong pricing in the core and cost savings, moderated continued incremental inflation.

Let's move to the outlook next, where we now expect our Crop Science sales for the year to decline by 5%, currency and portfolio adjusted, versus 1.5% previously. This is the net effect of an expected market-leading growth rate of 5% to 7% in the core business, mostly from pricing, and a 45% to 50% decline in our glyphosate-based herbicide sales. This normalises our full year glyphosate sales back to the 2020 level, as shown on slide 24 in the appendix, and assumes a strong volume recovery in the second half and a weighted average pricing roughly on par with what we saw in Q2. The EBITDA margin before special items is now expected to come in at 21% at constant currencies.

So now, if we take a closer look at the 2023 outlook for the core business, you can see we are anticipating strong growth in all regions. By segment, corn is our leading contributor for the year, with 14% sales growth year to date, supported by our new hybrid introductions, and expansion of our trait platforms as well. Our innovation is catalysing the performance in all regions, and will continue in the second half of the year with a double-digit price increase in LATAM.

Soybeans are expected to moderate to be flat to up slightly for the year, as growers continue to upgrade to Intacta 2 Xtend in Brazil in the second half. This follows first half declines from lower licensing revenues and acres planted in the US. And cotton, while we still expect it to be down, also moderates as we move through the year. The decline year-to-date is due mostly to the decline in planted acres in the US, in a market where we currently hold roughly 70% trait share in cotton.

Our selective herbicide portfolio continues with mid-single-digit sales growth for the year and insecticides and fungicides, while flat in the first half despite 10% or more in pricing gains, are expected to accelerate later in the year. This acceleration is expected in LATAM, where these segments are anticipated to recover nicely from the double-digit percentage sales declines in Q4 of 2022 that arose mostly from adverse weather conditions we had.

So, despite the challenges we're facing this year, we remain focused on our strategic priorities and the milestones necessary to deliver our pipeline. I would highlight the continued upgrade of our most-significant segment, our industry-leading Corn Seed & Trait business as an example. Growers across the Americas

continued to demand more of our third-generation corn rootworm control trait with RNAi technology, building on an important insect control offering in our portfolio.

Even more exciting are the ongoing on-farm trials around the globe for our Preceon™ Smart Corn system, featuring short-stature corn. This product has the potential to change how farmers grow corn – and for the better. With less yield loss due to high winds, more optimized fertilizer and crop protection use, better field access all season-long and opportunity for higher planting densities, we see a potential fit on 220 million acres around the globe and more than 1.5 billion in peak sales potential.

In fact, you can see one of the benefits of the system in action on this slide, where a ground rig is spraying tasselled short-stature corn in a plot in Iowa this last month. This application would likely need to be flown on in conventional-height corn. The progress is exciting, and we look forward to sharing the results this fall. These new corn traits could not succeed, however, without our strong foundation of leading corn seed genetics, which we refresh annually. This year alone we launched more than 250 new hybrids from our precision breeding programme, and would expect to continue to do so at roughly this pace in the future.

We remain committed to driving mid-term success with technologies like these, as they are critical to delivering on our goal to double our accessible market and to bring the benefits of Regenerative Ag to growers around the globe. With that, I will pass it to Stefan.

Stefan Oelrich

Thank you, Rodrigo, and hello, everyone, from my side. As indicated in our last conference call in May, the second quarter performance of our Pharmaceuticals division showed a sequential improvement from the slow start in the first three months of the year, both in terms of top and also bottom line. And while we were continuing to manage our costs and the LoE of Xarelto™, we were also making good progress on key elements of our late stage pipeline and our commercial strategy.

Sales in Q2 2023 came in on par with prior year's second quarter on a currency and portfolio adjusted basis, while unfavourable developments in foreign exchange rates led to a reported decline by 5%, to €4.6 billion. On our two launch assets, they continued to really show very strong dynamics, with Nubeqa™ nearly doubling and Kerendia™ more than tripling again. In addition, Eylea™ showed very strong and solid volume growth, particularly in Canada and in Asia, that more than offset some of the negative pricing pressures we're facing in other regions, generating an overall sales growth of 6%. And once more, our

Radiology business performed very nicely, with sales up 7% year on year, driven by both higher volumes and prices.

Xarelto™ sales were slightly declining by 3% in the second quarter, driven primarily by price pressures in most of our territories, while lower volumes in China were to a large extent this time balanced by higher shipments in Europe. Our business in China was also still facing quite a number of headwinds in other parts of our portfolio, though on a significantly lower level compared to the very first three months of this year. Adalat™ continued to be impacted by lower pricing and volumes related to the country's volume-based procurement programme. And in addition, we saw sales of Aspirin™ [meant: Cardioaspirin] being affected by inventory destocking.

Moving to the bottom line, EBITDA before special items in Q2 dropped 7% to €1.4 billion, equivalent to a margin of 30.3%. Key drivers of the decline were higher R&D investments in early-stage clinical development, particularly into our Cell & Gene as well as chemoproteomics platforms, while asundexian's phase 3 programme OCEANIC continued to show an accelerated recruitment dynamic. In addition, the prior year's second quarter included non-recurring profits from the sale of non-core businesses.

With the first six months behind us, we also have a higher visibility on the full twelve months of this year, obviously, and we now foresee our Pharmaceuticals division to deliver full year sales on par with the prior year, slightly down from the 1% increase that we have communicated previously. This is primarily driven by a softer-than-anticipated post-pandemic recovery in China, where we also keep facing volume-based, procurement-related headwinds on Adalat™. For Xarelto™, we continue to see sales declining by mid-single digits due to pricing headwinds and expired patents in some of our geographies.

On the positive side, Nubeqa™ and Kerendia™ are expected to grow strongly and exceed €1 billion of combined sales this year. And for Eylea™, the ongoing robust volume growth led us to slightly increase our outlook for the franchise for 2023, up from a previously flattish sales assumption now to low-single-digit growth.

While we previously guided for an EBITDA margin before special items of more than 29% in 2023 at constant currencies, we now foresee it to come in at approximately 28% as a result of the adapted topline guidance, adverse product mix effects and also accelerated R&D spend largely related to the continued strong patient recruitment of asundexian's phase 3 programme.

Now, I would also like to take the opportunity today to deeper-divide into Nubeqa™ and Kerendia™, which together scratched

the half-billion-euro mark of combined sales already in this year's first half. Both medicines were the key contributors to the continued growth of our Pharmaceuticals business in the US, where sales were up by 8% in the first six months of 2023. And there is more to come.

Let's look at Nubeqa™. It has really emerged as Bayer's third-biggest selling single medicine in less than just four years after launch, despite the launch timing was coinciding with the COVID-19 outbreak right from the beginning. From a regional perspective, the US is and will remain the biggest single market, where Nubeqa™ continues to expand its market share in its two indications. Based on its unique clinical profile it has become the country's mostly prescribed second-generation androgen receptor agonist to treat non-metastatic castration-resistant prostate cancer today.

And in the metastatic hormone-sensitive setting, it is at number two already, following the release of the ARASENS study results a little more than a year ago. We're also excited to see the data of the phase 3 study ARANOTE next year which, if positive, will help to further broaden this medicine's label in metastatic prostate cancer. With additional approvals in non-US regions kicking in, we are also increasingly expanding Nubeqa's™ market position globally, and I'm particularly delighted to share with you that our focus country China has become the leading growth driver outside the US in this year's second quarter.

Let's move on to Kerendia™, where its launch performance is no less exciting. In fact, it has shown one of the strongest growth dynamics in the cardiovascular medicines space ever, and again despite the access burdens our sales teams have had to face amid the COVID-19 pandemic, by the time we started launching it in the US back in the second half of 2021. Since its launch to treat chronic kidney disease with type 2 diabetes, we are seeing a continued market uptake in the US with broad utility and relevance across general practitioners and specialists, both supported by continued inclusions into treatment guidelines and recommendations.

In the non-US territories, it is again China that started to lead growth following the NRDL listing in March and a broadening of the label in May that now also includes early stages of CKD. Due to Kerendia's™ non-steroidal molecular structure, it has a unique clinical profile that clearly differentiates it from other mineralocorticoid receptor antagonists, as demonstrated by its unparalleled high potency and selectivity, as well as its equal balance between kidney and heart tissue. As we aim to fully leverage Kerendia's™ medical profile and commercial potential, our ongoing phase 3 development programme includes studies to potentially expand its use into the treatment of heart failure

and further types of CKD. With that, I'll conclude and hand it over to Heiko. Heiko, you may be on mute.

Heiko Schipper

Can you hear me? Okay, thanks, Stefan. Good to connect with you today, and I'm now happy to walk you through our performance in Consumer Health, an attractive industry with an important purpose. In a competitive market environment, we once again registered top and bottom line growth at the same time, and are tracking well to meet our 2023 guidance that we gave.

In cpa terms, our growth came in at 5% in the second quarter, which is on top of a healthy 7% growth in the second quarter of last year. The growth was broad-based. We saw contributions from every region, and also pretty broad-based growth across our categories.

Pain & Cardio and Cough & Cold and Dermatology even posted double-digit growth, mostly driven by successful expansion in Dermatology, of our Bepanthen innovation in Derma, which we expanded to more countries. Also, our pain brands had exceptional growth in Latin America and in Asia-Pacific, and generally the Cough & Cold range remained relatively high also in Q2, lower than Q1 but nevertheless still pretty high. And lastly, our Nutritionals category, which is an important one for us, grew low-single-digit but maintaining a high absolute level post-COVID.

This growth comes despite some supply constraints which particularly affected our Digestive Health category. You can see that in the limited volume growth that we had for the quarter, that came in a minus 4 [%]. And on the other end of the spectrum, we were able to take 10% pricing, which talks to the strength of our brands, to more than compensate for the effects of some supply headwinds. On the whole, we expect the supply situation to improve in the second half of the year, which will trigger faster growth, particularly on Digestive Health, and generally support the entire portfolio.

On the bottom line, we posted a margin of 22.9%, despite significant investments in innovation, continued pressure from inflation on our input costs, and also some adverse currency effects. This improvement represents an 80 basis point jump relative to 2022, which we also attribute to ongoing operational productivity programmes.

Looking ahead, this performance in Q2 leaves us on track to meet our original 2023 guidance. We feel confident to reach the guidance that we gave at the beginning of the year of around 5% on the growth. And also, on the bottom line, we believe that we can hold on to the profitability of around 23%.

Now, let me switch gear and talk a bit more about innovation in our space. I mentioned already, earlier, the important purpose of our industry. We exist to help people take better care of their health, every single day. While Stefan and his team advance the fight against serious diseases, we are focused on the other end of the health continuum, helping individuals prevent and treat day-to-day ailments.

We know that science-based self-care always starts with informed and empowered decision-making, and digital technologies offer limitless opportunities to remove these barriers to credible, personalised health information. It is for this reason that we created a specialised Precision Health unit in our organisation, to really focus on this space. We have also started to partner with some leading players in digital health. One of them is called Ada Health, and the other one is called Huma, to give consumers more individualised insights into their health.

To name an example, in one project, Ada's AI-powered symptom checker helped 200,000 women in the UK understand their intimate health better directly on the website of our large Canesten™ brand. The activation yielded a sales conversion rate for Canesten™ more than six times the industry average, and made our brand website actually the number-two destination for women's intimate health information in the UK, just behind the NHS. Efforts like this underscore the potential for Precision Health to build our brands, support healthcare systems, and offer more personalised care to the people we exist to serve. And with that, thanks for your attention, and I hand it back to Oliver.

Oliver Maier

Thank you very much, all, for your overview. Before we begin with the Q&A, I would remind everybody to keep your questions to about two or three per person, so that we are able to take as many participants and questions as possible in the time allotted. In order to ensure good audio quality, I'll just reiterate, use a speaker or a landline instead of a headset or cell phone. And with that, Natalie, I think we can open up the lines for questions.

Operator

Thank you very much. Ladies and gentlemen, at this time, we will begin the question and answer session. Anyone who wishes to ask a question may press star followed by one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star followed by two. If you are using speaker equipment today, please lift the handset before making a selection. Anyone who has a question may press star followed by one at this time. We have the first question from Michael Leuchten with UBS. Please, go ahead.

Michael Leuchten

Thank you very much. Thank you very much, Bill, for your opening remarks, and thank you, Wolfgang, for being so clear on the dividend. One question for Bill and one for Rodrigo,

please. Bill, you've been very clear in your comments about strategy and structural issues, I was just wondering if I could tempt you into maybe explaining a little bit what you see as structural issues that you think need to be addressed, even if it might be a little bit early in your journey?

And then a question for Rodrigo. Probably too early to get you to comment on 2024, but could you comment on when we should expect the price cards to come out? Is it the normal timing compared to prior seasons? How do you feel about them? How does shipping into LATAM look like at the moment? It sounds like business is performing quite well. And are you facing any of the destocking issues that we've seen some of your competitors face this year? Thank you.

Bill Anderson

Thanks, Michael. Yes, I think the question is simple, the question is do we have the structure with our set-up with the three divisions and the group headquarters that allows us to be the best home for each of these businesses in terms of delivering innovation, customer service, customer orientation, really adding value? And I think if you see a company like ours, we have amazing products but we also have really a product integration function.

Take Crop Science as an example. We have seeds and we have chemicals, we have biologics, we have digital farming solutions, and then we have a number of products that are really at the nexus of those, and we have to make sure that we're best-equipped to deliver on that potential. And so, in my travels, talking to people, I get input that is like the input that you'd hear from other large companies, about process and the speed of things, the pace of things. And so one of the things that the management board's really focused on is how do we radically accelerate everything at Bayer?

Our benchmark isn't other large companies. Our benchmark is a sole proprietor, a start-up. And we need to convince ourselves that the structure that we adopt is something that is supporting that goal of speed, of innovation, of quality. And so basically that's what we're taking on. And I think it's something that's really exciting for the people of Bayer because, again, we've got a great mission but Bayer, like many large companies, we get high marks for the mission and for the science and for the innovative ideas, but sometimes something gets lost between that and delivering it to the customer fast. And so that's a lot of our emphasis.

Rodrigo Santos

Michael, let me answer the other questions that you asked about Crop Science, here. Let me start with the LATAM comment that you made. Yes, July sales, as an example, is a great indication for us of how we see the second semester of the year. We are

confident on the orders that we have for LATAM. We have the price cards for LATAM already placed in the market, and we mentioned here we had a double-digit price increase in Corn and Seeds, and we are seeing the orders flow. Also, on glyphosate, we are seeing that as soon as adjust the prices that we also mentioned here today.

So we're confident that, on the Northern Hemisphere, I think that it's too early to say. We are working on the pricing. What I can say today to you is that, for the next year, we see the same approach that we always use on innovation-based value pricing, more precise pricing that we do, depending on the technology and the performance that we have and the hybrids that we have. Probably not at a level that we saw in 2022, but we're going to continue to do our innovation-based pricing methodology for the future years, not only for 2024 but 2025 and 2026.

On the last question that you made, I think it's a very important one. I mentioned the impact of Chinese generic stocks on the sales of glyphosate of our Roundup™ in the first six months of the year, but different from what you mentioned about the other competitors, we don't have an inventory issue with the channel in our CP [crop protection] portfolio, even less in our Seed and Trait business. So that's a clear operational management that we have here in the organisation. We check inventory every month and we adjust our sales. We are really focused, the entire organisation, on what we call sellout in really farmers usage, and we're managing that one. That will help not only the second semester of this year but also for the next season as well. Thank you for your questions.

Michael Leuchten

Thank you.

Operator

The next question is from the line of Richard Vosser with JP Morgan. Please, go ahead.

Richard Vosser

Hi, thanks for taking my questions. Three, please. The first question, just for Bill, you highlighted in your opening remarks the need to invest in Pharma, and I just wanted to understand how you're thinking about the ability to free up capital in Bayer to do this quickly, as you mentioned speed. Long term, probably more options, but in the short term, the cost-savings programme, given the locations of your costs, how are you thinking about the ability to free up capital in that way?

And also, in terms of maybe longer-term structural changes, when we've seen those being delivered at companies like GSK and Novartis, they've taken many years to deliver, so just your thoughts there, please.

Second question, just on Crop as well, just thinking about Crop margins going forward, we've got normalised glyphosate, of

course, pricing going up a little bit at the moment, and the rest of the business performing well, but how should we think about margins going forward? Should they be at the same level, or could they even be lower as the STI provisions come back into the cost mix again?

And then a final quick question, Kerendia™, the RX seems to be flattening on the curve, so are we now looking at heart failure and the readout next year to drive growth towards the 3 billion target? Thanks very much.

Bill Anderson

In terms of the capital allocation, and Stefan can comment more on this, I think our general view is we like the portfolio moves that have been made in the last few years. I think Stefan and Christian Rommel and team have done really an excellent job weeding out some of the lower-value programmes and made some really good investments in some new technologies and some exciting areas.

I happened to be at Vividion in San Diego, I think it was the end of June, where they had their second IND come through the day I was there. That's one example of really a tremendous platform that is practically an early-stage pharma pipeline in a very small package, because they have so many targets they're pursuing with their really unique technologies for targeting un-druggable things, and they're having hits and it's really amazing.

So I think we don't have a large capital war chest to go and make big acquisitions, but I don't think either of us is particularly inclined to do that, because I think the track record of the industry in late-stage acquisitions is really poor, and we prefer to be disciplined and bide our time with a combination of internal innovation and sourcing earlier innovation from the outside. And an example like Vividion, they could be generating multiple INDs a year in the coming years, and that means a lot of need for investment, but it's not big-ticket items, it's phase 1, phase 2. And so I think that's the outlook on that.

And you're right, in terms of structural options, one of the challenges with structural options is the time and attention required to pull them off. And so we're weighing all of this as we consider various structural options, and we have to take that into account. But again, we're going to consider everything very thoroughly because we've got a chance to really get it right, and it makes a big difference. So that's our plan. Rodrigo, do you want to take up the Crop margins question, and then Stefan on Kerendia?

Rodrigo Santos

Yes, let me go on that one, let me go on the margins, here. There are three elements on that one. Of course, it's too early to talk about the financials for the next year, but when I think about the next years, there are three components that are very important

here. The first one is our innovation, our pipeline, what we are preparing to launch. And you saw a little bit on the chart today that we are now running the trials for the short-stature corn, we are preparing the launch of HT4 and many other expansions that we have in our pipeline in different areas, in different regions as well. So this is the first driver for us for the future growth and future margin expansion.

But there is a second component that's very important that we are addressing, and we start to see that one. Of course, we had a significant cost increase in the last two years, because of inflation, because of the war in Ukraine, and the impact on the entire supply chain, energy costs, and we started to see raw materials, energy prices going down, and this should reflect in our future cost of goods, and this is something that we are working very diligently on as well, because this is an important component of our P&L.

And finally, of course what we have in terms of our operational efficiency, our contingencies, how we are adjusting our operations to make sure that we remain effective in the future as well. Those are the three components that will continue to impact our margins for the future, and mainly, as I said at the beginning here, will drive our growth for the future. So with that, let me pass to Stefan.

Stefan Oelrich

Thank you, Rodrigo. Hi, Richard. Very simply put, you're right, the scripts in the last two months have been flattening a little bit, which comes in line with a flattening of the market increase in DKD, diabetic kidney disease. We're not the only ones driving that growth, so we also rely on more than us just making noise in this category. So this is something that I would hope is still has significant room for growth, because it's still an under-diagnosed and under-treated disease, so there should still be some fuel in the tank, some gas in the tank, for DKD.

And you're absolutely right, we of course also bank on heart failure. We have currently one pivotal trial ongoing, and where we're going to start a few more clinical ventures in heart failure, but I'll tell you more about that once we get this going and clinical trials [unclear] so it's about to start.

And maybe one last thing on capital allocation, I think Bill has framed it very nicely, when you look at the Pharma business right now, and I think the first six months are testament to that, we have quite some pressure on the margins which come from mix, come from growth, and come from cost increase, inflation, here, and from price, of course. And we've been keeping our R&D expenditures steady and have actually slightly increased them even in this mix.

So there's a limit to how much more R&D expenditures we can

add to the mix, so I think that, other than firing power, informs us about how much we can actually allocate. So you're going to see, for the next few quarters, us making more early R&D deals, smaller in size, that just add to the typical preclinical, and maybe very early clinical, stage mix of our portfolio.

Operator

We have the next question from the line of James Quigley with Morgan Stanley. Please, go ahead.

James Quigley

Thank you for taking my questions. I've got three, please. One for Bill and two for Stefan. Bill, you mentioned you've been going around, speaking to lots of people, and I think one key question is how receptive is team Bayer to the change? It feels like there's going to be quite a cultural overhaul, particularly when you talk about the bureaucratic nature that you highlighted before. So how receptive will the team be to change, and how much of a challenge do you see that as being?

And then on the Pharma business, Stefan, you mentioned asundexian, recruitment is ahead of schedule, what's been driving that, how receptive have the sites been to the trial? And to what extent could the current rate of recruitment bring forward the potential readout timelines for the trial? And another one on Nubeqa™ growth, you've given us some of the absolute numbers in terms of NBRx but where are you heading now in NBRx share? I don't know if you have that by indication, but that would be super-useful. Or maybe just NBRx share for Nubeqa™ versus the class as a whole, so giving us an idea of where you are now and where you're headed to. Thank you.

Bill Anderson

Thanks, James. Yes, you asked about how receptive people are at Bayer to change, and I have to say I've been really super-impressed with the people that I've met, all the sites. I think I've been to about 15 sites so far, got a few more to go but people are... What do I find?

First up, people are very mission-oriented. People at Bayer take the mission statement very seriously, and I can tell you the people in Pharma are really excited about the new molecules and the opportunity to do great things for patients. The people in Consumer Health are passionate about the latent opportunity for self-care and to improve access to care for all kinds of people. And there's so much unmet need that just goes without addressing because of a disconnect between people with health needs and knowledge of products. And likewise in Crop Science. You've heard a lot about the offering that Rodrigo described and what we can do for farmers, for consumers, and also for the planet. So that runs really deep here, and I don't go anywhere where I don't hear people talking about that.

Second, when you talk about culture change... By the way, I've spent 25 years in various leadership jobs, and I think I spent the

first 20 years of that pushing some sort of culture change or another, and what I found, at the end of the day, you can come up with lots of great slogans but it's very difficult to change a culture. And what I've learned in probably the last six or seven years is culture change is really hard to do, and it's a little overrated, because what really makes a difference is when you change the mechanics of how work gets done.

For example, do you have 1% of people making decisions about what the other 99% of people are doing? Or do you have the 99% of people making decisions about what they're doing? And actually that's not a culture change. Some people say, if you want to change that, you've got to change the culture. And what I found is you can tell people all you want, oh no, you're empowered, you make the decision, but it actually doesn't work because they're not empowered. Because if the hierarchy determines the budget, and the budget's done once a year, then you can tell people they're empowered all you want, but basically they're not. That's fake empowerment.

When it really gets exciting is when you change the rules and you say, hey, guess what, we're not making decisions that way anymore, we're not sticking with annual cycles, we're going to 90-day cycles, we're putting everybody in teams, the teams have the power to decide, and the teams work out amongst themselves the resources. And when you do that, you unleash a whole other level of energy. And I have every reason to believe that the people of Bayer will have an excellent adoption of that kind of system, because it's not some nebulous culture thing. It's very practical and it's totally aligned with that mission orientation.

So it's where practical solution meets a profound motivation to drive progress for patients, for farmers, for consumers. You can tell I'm a little excited about that. I think no matter what we decide about structure, we've got a huge opportunity to unleash the potential of the people of Bayer. And I know we can't wait to get going on that. Stefan, over to you.

Stefan Oelrich

Thanks, Bill. And thanks, James, for the question. On asundexian, I think it comes twofold. First of all, I think everyone can now see that we really have some excellence in clinical operations when it comes to cardiovascular, and our strong heritage clearly shows here in our ability to recruit both patients and open new centres. What I think also plays is just a value proposition of asundexian. The value proposition of having an anticoagulant with extremely reduced risk of bleeding in the two patient settings that we're studying, be it in stroke patients or in atrial fibrillation patients, just shows, I think, the strong unmet need of those two indications. And we're thrilled that this is going in the right direction. It's still early days, we still have a little bit to go, so let's not count the chickens before they hatch, but it's

really taking a step in the right direction here.

On Nubeqa™, we're not done with nonmetastatic setting in terms of growth, we still expect our total share here to grow over the next couple of years, and to get there we have to have continued strong NBRx's. I think this goes again in the right direction. And then let's not forget we should, with ARANOTE, significantly extend our spectrum for the metastatic setting, that should fuel continued growth.

I'm actually impressed to see how fast we're growing also in the metastatic setting. And you know that ARASENS gives us quite a sick population at the end here, and with ARANOTE we should significantly expand this. And let's not forget, you asked about the US, that China is also coming in strong now. So it's not just a full lift by the US, but we're seeing other regions kick in. And even the notoriously difficult Europeans are seeing the added benefit compared to existing therapies of Nubeqa™, and we're going to see additional lift from there too. Thank you.

James Quigley

Thank you.

Operator

The next question is from the line of Peter Verdult from Citigroup. Please, go ahead.

Peter Verdult

Thanks. Pete Verdult, Citi. Two questions. Bill, sorry, a variation on a theme, the first one, and then a quick one for Rodrigo. Maybe I'll start with that. Rodrigo, we've seen a near 60% bounce off June lows for glyphosate prices, I just want to know is that reflected in the revised guidance you provided for Crop, or can we assume you have perhaps been more conservative? I just want to know what's been captured and what hasn't.

And then, Bill, just a variation on a theme, rightly or wrongly there's a narrative in the market that your freedom to operate is limited by, amongst other things, supervisory board, works council, balance sheet structure and litigation overhang, so do investors, on one hand, just have to be patient and await the delivery of Pharma and Crop innovation, or are you just not being given enough credit in terms of how actively you are considering the group structure and the best structure going forward? Just wanted to balance those factors and discussion points in the market. Thank you.

Bill Anderson

Rodrigo, do you want to start?

Rodrigo Santos

Sure, I can. So it's a straight answer to that one. What we have in our forecast for the remainder of the year for the next six months is basically we use the historical price for glyphosate. You can see that on the slide as well. It's the historical price before an increase that we had at the end of 2021 and 2022. So I feel that we have the right assumption there. It's not considered an upside coming from the recent [unclear, uptick] that probably

you were mentioning. In the last two weeks, we saw an increase on the PRC. We're going to need to check that one to see if it will stay, it will remain, and we're going to price dynamically as we do for glyphosate, but what we assume in our forecast is the historical level that we had. With that, Bill?

Bill Anderson

Thanks, Peter, for your question. I'm trying to think how to give the simplest answer on this. There we go. What it comes down to is sort of what I referred to in my earlier comment. I think the management board, the supervisory board, the shareholders that I've spoken with, and the employees, frankly, everybody is adamant that the mission of this company is too great to not drive it 100%. And so we're considering every option, and if we conclude that we need to change the structure of the group in order to achieve our potential, that's what we're going to do.

Because we don't have the luxury of saying, what do we feel like? We have to drive the most value for farmers, for patients, for consumers and, ultimately, for the people and shareholders of Bayer. And that's been my understanding from the moment I took the job. Now, are there preferences from different parties? Sure, there are preferences, but it doesn't come down to preferences. We have to do what's right for the company and what's right for the mission, and we're fully exploring every option.

Peter Verdult

Thank you.

Operator

The next question is from the line of Sachin Jain with Bank of America. Please, go ahead.

Sachin Jain

Thanks for taking my questions. Sachin Jain, Bank of America. Bill, big picture for you, so a multipart question. In your introductory comments, you said three things have held the company back, litigation, debt and corporate bureaucracy. So I wonder if you could just touch on how you think you can resolve each. Specific questions on each one. What's your assessment of PCB litigation from here, and where are we with glyphosate cash outflow? Two, on the debt, obviously leverage is significant, what's your path to bringing that down? I don't know whether, between you and Wolfgang, you can touch on what the underlying cash flow power of the business is and when we might see it? And then thirdly, on corporate bureaucracy, I'm just trying to understand, as you answered prior questions, how much of that is related to the culture of Bayer that you can unlock, similar to what you achieved at Roche over the last couple of years, and how much do you think is related to group structure that can only be fixed by a break-up? Thank you.

Bill Anderson

Thanks, Sachin. Let's see. First, on litigation, I don't know that I have a lot to add, Wolfgang, I'll let you comment, but I think what we know is that, yes, we have to be very tough in the face of our

opponents, I guess, who see us as a place to make a good business, and we intend to defend our company's interest to the fullest. And I'll see if Wolfgang has anything to add.

On the debt, yes, we have to improve our financial performance. Our number-one way to pay down debt is to outperform, and again that's the major focus of the management board, our discussions with our employee representatives and the people of Bayer. And as to how to do that, for example corporate bureaucracy, how much of that is related to just being a large company versus how much of it is unique to the corporate structure, I think that's something that we're parsing out. That's why we're taking the time to evaluate these things now.

I'm confident that there's a huge potential, regardless of the structure, to unleash power of people, because in all hierarchical-oriented multinational companies, there's a better way to do things. And the smartest companies in the world are figuring that out. Most companies haven't yet but people are figuring that out, and I think there's a tremendous opportunity to do that at Bayer, again regardless of what decisions we make about structure. And, Wolfgang, any other comments on litigation?

Wolfgang Nickl

Yes, gladly. Hey, Sachin, how are you doing? Really nothing much to say on litigation, nothing substantial. I think glyphosate, you said it well, we're laser-focused on executing our five-point plan. Yes, we have done about 115,000 of the cases, there is about 160 that are locked, but like you said, just because we have an accrual doesn't mean that we're ready to write cheques. As a matter of fact, we're quite proud of the team having won the last seven cases, and as you can imagine, the other side didn't bring the weakest cases forward first, so we won them in tough jurisdictions and we won them against tough opponents. We have every intention to continue to do that. And we'll execute the five-point plan, like replacing the active ingredient for our US lawn and garden market, so we're executing the plan we have put in place and that very well.

PCB, nothing much to be said. This is a product that Monsanto and its predecessor company stopped selling almost 50 years ago. We'll defend ourselves. Obviously, we have a couple of things coming up like appeals and post-trial motions in the Sky Valley cases, but one area where we put a lot of focus on is enforce the indemnifications that we had against our former clients that we believe are pretty strong, and we're going after a number of them in the electrical sphere that cover a vast majority of the shipments in question. So stay tuned there.

I think on debt, it's pretty clear. Yes, we have a challenging year from a cash flow performance, would wish we would do better,

but I have zero doubt that this is not a trend. As a matter of fact, some of the elements that take down the cash flow this year may as well be a tailwind next year. Our objective of getting to an A category is unchanged, and this is what Bill also said, we're laser-focused to get cash flow management further into the DNA. We're making good progress on that.

I'd like to give you one other data point, and this is almost like a lucky punch, but when you do your models it's important. When you look at leverage, you look at net financial debt, but you're also looking at the net pension liability. And in the increased interest environment, our net pension liability has actually come down by 2 billion in the last four quarters. So from a pure leverage perspective, that helps us. That's not an excuse, that's just additional information. We're laser-focused on free cash flow and we're continuing to follow our target to be an A-rated company.

Sachin Jain

Thank you.

Wolfgang Nickl

You're welcome.

Operator

The next question is from the line of Vincent Andrews with Morgan Stanley. Please, go ahead.

Vincent Andrews

Thank you for taking my question. Just one from me. Rodrigo, could you talk a little bit about your expectations for Intacta 2 penetration this season, how much the pick-up is going to be, and how much is that driving that 10% price mix that you're speaking about, versus what you're anticipating on the corn side of the book.

Rodrigo Santos

Thank you, Vincent. Yes, we priced this year Intacta 2 with a double-digit price increase there in LATAM, and we're seeing the penetration that we were projecting for the new trait. Also, just using your question as an opportunity to mention that we're already working on the Intacta 3 and Intacta 4, the next generations for Brazil as well. So we are seeing the penetration that we were saying, despite 6 million acres of Intacta 2 in the ground and the performance of that, I've been receiving the trials and the harvest from the farmers, has been very, very positive. So a lot of excitement around our soybean business in Brazil specifically. Thank you.

Operator

The next question is from the line of Emily Field with Barclays. Your question, please.

Emily Field

Hi, thanks for taking my question. I'll ask two. Specifically on Eylea™, I'd love to get your thoughts on how you're seeing any competition from Vabysmo in the markets where that has launched. And maybe, just longer-term, Bill, it would be great to get your thoughts on the opportunity for the high-dose Eylea™.

And then, secondly, just another broad question. One of the questions we get a lot is the ESG overhang that's facing the company, and there has been a lot of progress that's been made, and some of that overhang is outside of the company's control, but it would be great, Bill, to get your thoughts on what can proactively be done to continue the improvement there, specifically on ESG. Thank you.

Bill Anderson

Stefan, do you want to start with Eylea™?

Stefan Oelrich

Yes. Hi, thanks for the question. We're quite pleased, when you look at the underlying volume expansion that we're seeing in Eylea™ across the globe, it's actually better than what you guys see on total sales. So that speaks to the resilience that we have, even when facing competition, in this case Bill knows one or two things about the competition we're facing with faricimab.

What we're seeing there is they're getting to the low-hanging fruit, which are the obvious patients that you could switch, but we're not seeing them go so much further in our geographies than that. So, mid to long-term, and before I hand over to Bill, I think you asked him the question, I would think that with the stellar data that we have from our high-dose aflibercept 8mg programme that we intend to launch in the first half of next year, this will only get better. So we continue to be quite confident in our ability to remain the gold standard in this market. Over to you, Bill.

Bill Anderson

In terms of ESG progress, I'm really proud of the progress that Bayer has made. And frankly one of the main reasons and main motivations I had for joining the company was the incredible role that Bayer plays in sustainability in particular, in climate change and regenerative agriculture. And I think if you look closely at it, we have major efforts... And by the way, I'd recommend going on our website if you want to see some of the things that we're doing and some of the programmes we have, because we're very widely recognised as being a pioneer in sustainable agriculture.

If you look at the acreage of no-till farming in the world and how much of that is driven by our crop protection and seed technology, in terms of our ESG ratings by the various rating groups, we are almost always in the top half, if not the top quartile, compared to our peer companies, whether it's in pharmaceuticals or in crop science. And yes, I think we're not satisfied with that and we want to keep getting better and better every year, but I think probably the biggest challenge we have is certain ratings that go with, for example, GMO foods, and decide GMO is bad and therefore we get a bad rating, and we're having to do education on that.

I think we see good progress, the draft legislation in Europe that

has CRISPR-modified genetics as something that could be licensable in the future, I think that's a really important, positive step. And I think as more and more people are getting educated to the fact that genetic modification of plants is one of our major weapons in the fight against climate change, in the fight against future hunger, for more drought-resistant crops. And so the bottom line is I think great progress so far, and a lot more we can do. Thanks for the question.

Oliver Maier Thanks, all. I have to be time-sensitive, so, Natalie, I think we have time for about two more sets of questions, if that's okay.

Operator The next question is from the line of Florent Cespèdes with Société Générale. Please, go ahead.

Florent Cespèdes Good afternoon, thank you very much for taking my questions. Two quick ones. First, for Heiko, how do you see the pricing environment going forward? Do you believe that such price increase is sustainable? Where do you see maybe some businesses where you could increase price where others could be more difficult? So more colour or granularity on this would be great.

And my second question is for Stefan. On China, you said that there is a softer-than-expected post-pandemic recovery. Some granularity, more details would be great. Is it due to lower demand? Do you see more competition? Is there more pricing pressure? Any colour would be great. Thank you.

Bill Anderson Heiko?

Heiko Schipper Yes. Let's take the first one on pricing. I think generally, in the whole consumer space, we've seen quite a lot of pricing over the past few years. Obviously, a lot of that has been driven by the higher input costs, and obviously we're trying to work very hard to bring those down, because we are starting to see, as you see in our volumes, some impact on the ability of consumers to absorb that, and also our retail customers are also asking us to be more sensitive, to bring prices down.

We are working hard on that. So, A, it's a matter of while we accepted some price increases from our suppliers in the last couple of years, because there was obviously a real reason for that as, for example, energy prices were so high, that then pass on into packaging, etc., but now that these things are coming down, it's time for them also to flip the coin now and also bring prices down. So that is a matter of being a bit tighter again on our suppliers.

And I think, secondly, we're obviously also trying to counter as much as we can finding productivity gains in our production sites. So to make it a short answer, we also think that this is not sustainable that every year we can take 10% pricing. Let's face

it, there will be probably a bit higher levels of inflation than what we're used to in the past ten years, so I think it will maybe not be 10% but there will be continued pricing, probably more than in the past ten years because inflation is just more there to stay with us.

Maybe the only exception where you can really take a bit more pricing is obviously when you come with innovation, if you come with truly exceptional products. And that's one of the reasons why, as Bill was mentioning, in the Bayer Consumer Health business, we really try to bring more science to our products. Because arguably you could say that not all the products in the consumer space have really solid science behind them.

So we think that that's one of the real benefits of being inside Bayer, there is more knowledge on how to do science-based innovation, and also to discuss that with regulators so that we can get to the right claim. So true innovation is what will bring it, including the switches, by the way, so those are the things that we are focused on.

Florent Cespedes

Thank you.

Stefan Oelrich

Bonjour, Florent. On China, the situation I think comes in two shades of grey, if you like. One is, of course, the VBP impact, products like AdalatTM and XareltoTM, where we were expecting a negative impact, and then there are some of our other established products that are not subject to VBP at this point, like, for example, our contraception business. What we're seeing now in China, where we've had pretty steady growth rates of 20%, 30% per year, coming out of this pandemic situation, this year we're negative on contraception, both long-acting and short-acting, which is something that, if you like, is a little similar to what we saw post-pandemic in some other geographies in the world, but we didn't necessarily expect that from China.

The strength in China shows clearly in our innovative products. I talked to KerendiaTM, I talked to NubeqaTM, where they come out of the gate extremely strong, actually strongest in terms of share in any geography that we have in the world. And also EyleaTM continues to perform very, very well in China. So we're seeing a clear portfolio shift here from the older products towards innovation.

Florent Cespedes

Thank you very much, Stefan.

Operator

The next question is from the line of Steve Byrne with Bank of America. Please, go ahead. Steve, your line is open, maybe unmute your telephone?

Steve Byrne

Yes, sorry about that. Thanks for squeezing me in. I have one for Rodrigo. What would you say primarily limits your ability to know what are the levels of your crop chemicals in the channel?

It seems like this is an industry issue and it was significant for glyphosate. Is glyphosate maybe more challenging to know what the stocks levels are because it's in bulk storage tanks? Your fungicide and insecticide volumes seem to have less destocking, is there a way to improve on that is my question.

Rodrigo Santos

Let me address that question. Our inventories in the channel that we have, we monitor that on a monthly basis, we have that information from all of our products, and this is a very important tool that we use to adjust our sales and to do what I said about what we call internally sell out, really focus on farmers usage sales that we have in our organisation. So that one, we have that in control. And that's why I said we don't have issues of inventory in the channel today, globally. We have a very healthy level of our product in any region that we operate. So I think that's the one piece.

Harder to access competitors' inventory. That's the information that is of course more sensitive, we don't have that information and we cannot access that information. We monitor a little bit of public information that we have in terms of imports and exports, but I just want to reconfirm what we have. When you see the sales that we have in the first six months of the year, or now, the orders that we're seeing in July and so on, we have a very healthy inventory of our products, all our SBEs, in a global basis. That's a very important element for how we operate at Bayer today. Thank you.

Oliver Maier

Okay, thank you, all, for your questions, and obviously everybody here, the team, actually for all the answers. I know there are a lot more people actually in the queue, we have some other commitments, therefore please get in touch with Investor Relations, with the team, more than happy to follow up offline with any questions you might have. And with that, I'd like to thank everybody for the time and your attention today, we greatly appreciate it. And that closes the call for today. And talk soon. Thank you so much, appreciate it. Bye-bye.