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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome, and thank you for joining the Dragerwerk Financial Year 2022 Earnings Call.

(Operator's Instructions)

I would like now turn the conference over to Mr. Stefan Drager, CEO of the company. Please go ahead.

Stefan A. Drager - *Drägerwerk AG & Co. KGaA - Chairman of the Executive Board - Drägerwerk Verwaltungs AG*

Ladies and gentlemen, good afternoon, and a warm welcome to everyone joining us today. I have with me Gert-Hartwig Lescow, CFO; as well as Thomas Fischler and Nikolaus Hammerschmidt, both Investor Relations. We would like to guide you through the presentation covering our final 2022 results, which we made available on our website this morning. In January, we had already published preliminary results and the guidance for the current year. Let's get started. I will elaborate on some main developments in 2022 before Gert-Hartwig will take over and we go into the financial details of the group and the divisions. Following the presentation, we will open the floor to your questions. Out of respect to everybody's time, we will end this conference in 1 hour. 2022 was a very challenging year in many ways. On the one hand, we had to deal with the normalization of the Corona-related business, which has driven our growth in the prior years. On the other hand, we had to face multiple crisis such as global supply chain disruptions, the war in Ukraine and high inflation. All these challenges prevented from reaching our full potential. However, we are confident to return to growth and profitability in '23.

Before we get to that, let's look back at 22 in detail. One of our key takeaways from the past year is that our markets remain intact. The demand for technology for life remains high and even increased in '22 despite the challenging economic conditions. The lower demand for ventilators was more than offset by rising orders and other businesses. In the case of our (corrected by company after the call) anesthesia business, we reach an important milestone by delivering our 10,000 Atlan device to customers. This makes us proud and underpins the long-term attractiveness of our portfolio. However, we were not able to translate the high demand into higher revenues. In fact, our net sales in '22 declined significantly, and this missing volume is one major reason for the disappointing earnings. The global supply chain disruptions have limited the availability of specific electronic components we need for finalizing and delivering our products to customers. As a result, our sales recognition slowed down considerably. Together with the high procurement costs, which have increased significantly due to the necessary broker buys and rising inflation, this led to an operating net loss, the first for a very long time.

Against this backdrop, we have implemented unprecedented price increases in '22, which helped to mitigate negative impacts on our margins, but only become effective with some time lag. We will continue pricing initiatives in the current year since they are a major factor for our return to profitability. Moving on to some operational topics. Our efforts in the area of sustainability received once again positive recognition. In addition to the EcoVadis gold status and the ISS prime label, Drager received an award as the #1 employer for the common good by the renowned German magazine Wirtschaftswoche. This underpins Dräger's excellent reputation as a sustainable company. On top of these accomplishments, we were also very busy on the regulatory side. The FDA conducted audits at our sites in Lübeck, Andover and Telford, of which 2 are already formally closed.

The warning letter in conjunction with our Andover site has not yet been closed. We are in continuous exchange with the agency on status and progress of our quality system improvements. Based on this, we are expecting another reinspection on the site by the FDA.

Some weeks ago, the FDA has announced to focus on testing of biocompatibility of medical devices, including incubators across the industry. We do not know whether the FDA's focus on biocompatibility is a consequence of issues observed with other players in the industry, but are closely observing the external developments in that context. Also, the approval of our Atlan anesthesia family is affected by the focus of the FDA on biocompatibility and is requiring additional testing of our device. As a consequence, we do not expect the 510(k) clearance for the Atlan before Q4 23. We are in close contact with the FDA and keep you updated on all major developments. Another highlight in the past year was the significant improvement of our equity ratio, which had fallen considerably after the confirmation of our remaining participation certificates in 2020 and has come back to over 40% at the end of '22. With the redemption of the last outstanding certificates in January, we have now streamlined our capital structure. In addition, we have increased our credit lines with our core banking group in order to support our operations. That said, we now have a solid financing structure for the coming years. Speaking of '23, we can already see recovery in our business development here as expected. So far, sales recognition is ramping up and earnings are on target. I trust this will also contribute to a better share price development after the disappointing performance in '22.

Let's move on to the innovation and our measures for returning to growth and profitability on Slide 5. Innovation remains a top priority for us, and we remain focused on the implementation of our R&D roadmap. In total, we launched 7 medical and 11 safety products. Most of them are explained in the annual report and we just highlight a few examples with you here. In our medical business, we launched the Babyroo TN 300, an open care warmer with state-of-the-art thermoregulation capabilities as well as advanced integrated technologies to support emergency resuscitation. The Babyroo keeps the temperature stable while minimizing heat loss for the infant by combining 2 independent heat sources, a radiant warmer and a heated gel mattress. In addition, the Babyroo comes with an optional respiratory support module that redefines advanced resuscitation support by automatically delivering the desired levels of oxygen concentration and other. The Babyroo also supports workflows that are typical in neonatal care areas and delivery rooms -- for example, it has a built-in scale and a pass-through x-ray tray. -- functionalities like these support the caregivers end make it possible for them to care for their infant patients without excessive disrupt.

Next on Slide 6, I would like to highlight one additional new software-based product, our brand-new access and control package, which can be ordered from next month. This makes us one of the first manufacturers to launch a medical technology product that is compatible to IEEE SDC, the standard that enables interoperability of medical devices. That said, the launch of our access and control package is an important milestone on our way to connected medical technology. The interoperability of medical devices helps improving acute care and is, therefore, a big element of our hospital strategy. The access and control package pays into this strategy. It not only increases flexibility and convenience of using our M540 patient monitor, it also reduces noise disturbance for patients and increase the safety for both patients and staff in isolation scenarios. To this end, it enables staff members to control the monitor from outside of the room via the core application on a Medical grade PC. Both the patient monitor and the PC are connected via the IEEE SDC standard, which will be included in more and more Dräger devices. Now moving on to innovation from the safety division on Slide 7.

In safety, we launched the X-am 2,800, a new generation of our multi-gas detectors. The X-am 2800 has been optimized to offer a high level of safety at a low cost of ownership. It is equipped with a brand-new CatEx sensor that can measure flammable gases and is particularly shock resistant. On past occasions, we have talked about how connectivity is becoming more and more important in our portfolio. The X-am is another example of this trend. The device is supported by our gas detection Connect software, which allows users to transfer recorded data securely and effectively to the cloud via their smartphone or via the X-dock automated test station. During the development of the product, great importance was placed on sustainability, for example by enabling existing accessories of the previous series to be used. The new X-am is the first multi-gas detector to feature our GDC live monitoring system. New features improve the workflow at our customers. For example, it can now initiate firmware updates via the X-dock stations. There is no longer any need to collect all the devices and install firmware in the workshop. This happens automatically when the device is positioned in the X-dock stations, which happens regularly anyway.

Why is it so important to mention all these products -- the answer is simple: innovation creates value not only for our customers but also for our company. This brings us to our plan to returning to growth and profitability on Slide 8. As I said in the beginning, demand for our technology for life remains high and even increased in '22. This is especially due to our efforts in innovation, which enable us to strengthen our positions as a leading provider in medical and safety technology. Thanks to our broad innovative portfolio, we also expect good demand in 23 -- in order to return to growth and profitability, we are taking concrete actions in different fields. In addition to benefiting from our intact markets, we are working on improving our delivery capability. We are in close exchange with our most important suppliers. Where it makes sense, we redesign components in order to be able to use more readily available parts. In our regulated markets, however, this is only possible to a certain extent and takes time and R&D resources. So we will continue to rely on broker buys in '23 before the general supply situation largely returns to normal, probably in the second half of the year. Some of our suppliers have invested in expanding their production capabilities in the past year, which will increase output in the course of the year.

For the time being, however, sourcing remains an area of particular management focus. We will also maintain and strengthen our price management activities. The price increases implemented in 22 were important, but were not yet sufficient to adequately counter inflation. Now that we have implemented the necessary processes and tools on a global level, you will see positive effects from our price increases more quickly. In addition, last year's price increases are having a positive impact on strengthening our margin. In January, we have implemented the first list price increases of the current year. Successful price increases and developing a culture of price defense are important building blocks for margin improvement in 23 and beyond. Another important element in our return to growth and profitability is an improvement in free cash flow. Free cash flow in 22 was disappointing, particularly due to the weak earnings performance but also because of higher inventories. In '23, we will return to positive free cash flow.

To achieve this, we have ensured a high level of attention throughout the organization and rapid collection of receivables and focused inventory management. Another area to which we are paying particular attention is cost development. While we are not pursuing a radical cost-cutting program like some of our market companions have announced, we have budgeted carefully on the cost. This is also necessary in view of the high inflationary pressure and the corresponding wage settlements. We have also ensured that there is a high level of cost awareness throughout the organization. These measures will support our return to growth and profitability in 23. Now I would like to turn it over to Gert-Hartwig for more color on our financial performance. Gert-Hartwig.

Gert-Hartwig Lescow - *Drägerwerk AG & Co. KGaA - CFO, Executive Board Member for IT & Vice Chairman of Executive Board - Drägerwerk Verwaltungs AG*

Thank you, Stefan, and good day to everyone. As usual, we focus on the development in the markets when evaluating our performance, i.e., unless stated otherwise, I will refer to figures net of currency effects when I mention growth rates. On Page 10, let us first take a look at the group's performance in the fourth quarter. As in prior years, the last quarter of the year was the strongest quarter in terms of net sales, volume and profitability. Order intake in Q4 was considerably higher than in the third quarter, which is normal for our back-end loaded seasonality, but flattish year over year: a decline in Europe and the Americas was largely offset by a sharp increase in the Africa, Asia and Australia region, which also has to do with increasing orders for ventilators in China. Our delivery capabilities started to improve in the fourth particular because of significant growth of almost 1 fifth in AAA. Net sales also increased in the Europe and Americas regions. In the fourth quarter, our gross profit climbed by roughly EUR 40 million compared to the weak prior year, mainly due to higher net sales. Both segments contributed. At 41%, the gross margin was on the level of the prior-year period. Earnings in the fourth quarter quadrupled to just below EUR 60 million compared to the weak prior year quarter, especially due to the improved supply situation but also due to lower write-downs.

Turning now to the results for the full year. following a very steep decline in the prior year as pandemic-driven demand normalized, order intake at group level increased again by roughly 3%. The region's AAA and Europe were the growth drivers, while orders in the Americas region were only just below the previous year. Demand in Medical was flat while orders in safety grew considerably with roughly 8.5% coming from all regions. Despite strong overall demand for our products and services, delivery volumes fell in all regions and did not match order growth. This was mainly due to significant disruptions in global supply chains, including lockdowns in China caused by Coronavirus. These restricted the availability of certain electric components, preventing the final assembly and delivery of a number of products. As a consequence, we were unable to realize the potential net sales from the demand for these products. Group net sales, thus fell by 11.5% year-on-year in 2022. In line with the lower sales volume, our gross profit also declined. The lower gross margin for the full year was mainly due to the change in product mix, resulting from weaker demand for pandemic-related products as well as higher procurement costs for scarce electronic components. Both segments were affected by the drop in sales and margins. The impact on the medical division was more pronounced than in the safety division as the effects of the normalization of the Corona virus-related business were also stronger in the medical division.

Functional costs rose by 2.3%, partly due to higher expenses for travel activity, which had been heavily restricted in prior years as a result of the pandemic as well as increased expenses for third-party services and higher depreciation and amortization. The impact of currency effects meant that functional costs rose by 4.7% in nominal terms. Overall earnings in 2022 were heavily impacted by global supply chain disruptions and the related effects on net sales and costs -- as a result of all these factors, group EBIT decreased substantially to minus EUR 88.6 million. The EBIT margin dropped to minus 2.9%. Next, we get to the P&L below the EBIT line. The improvement of the interest result is mainly a basis effect from one-off effects in the prior year. In the generally higher interest environment, we expect high interest expenses in the current year again. The negative earnings before taxes led to tax income in 2022. Earnings after income taxes amounted to minus EUR 63.6 million. The primary metric with which we steer in our business is the DVA, the Dräger Value Added. Mainly due to the lower earnings level, the DVA is substantially lower year-over-year and negative with minus EUR 196.2 million. Now let's look at some key financial ratios for the last year on Page 11. After a very strong cash flow in the last 2 years, driven by strong corona business, cash flow in 2022 was disappointing. Operating cash flow was significantly lower at minus EUR 144 million.

Lower profitability was the main reason for this decline. Next to this, the increase in inventories was another major contributor to the cash outflow. This development was a direct consequence of the difficult delivery situation during the year. Overall, an increase in inventories of EUR 81.8 million and an increase in trade receivables of some EUR 75 million could not be compensated by an improvement in accounts payables. Our cash outflow for operating investments was offset by the sale of money market funds, held for liquidity management purposes and resulted in a net cash inflow from investing activities of some EUR 37 million. The resulting free cash flow is negative and as I said, disappointing. Leverage of the group has temporarily increased: net financial debt was just below EUR 260 million. We have a high focus on working capital management and expect to see an improvement of free cash flow in 2023, not only coming from the higher expected earnings but also from improved inventory levels. We currently already see some improvement in the first 2 months of the current business year, our delivery situation has developed in line with our expectations, resulting in improved inventory levels and improved cash flow. Our cash position at the end of 2022 amounted to EUR 312 million.

But please have in mind, the cash outflow in January 2023 to redeem the remaining in participation certificates in the amount of roughly EUR 209 million. This payment was made partly with existing liquidity as well as using our credit loans. I come back to this in a minute. As Stefan Drager mentioned, the equity ratio has improved. It increased by 2.8 percentage points to now 42.5% benefiting from lower pension obligations due to the strong increase in the relevant interest rate from 1.2% to 3.7%. Under the assumption of full distribution, the earnings per share for the current share is minus EUR 3.47 and minus EUR 3.41 for the preferred share. Let me now come to the business development in the medical division on Page 12. In medical, order intake was on par with the prior year. The considerable drop for ventilators was nearly offset by a significant and broad-based rise in orders in all other areas. Growth was driven in particular by workplace infrastructure products and the service business. Demand for products in the fields of anesthesia, accessories and thermoregulation was also up. Demand jumped sharply in the AAA region. In China, demand for ventilators grew more than sixfold in the fourth quarter compared to the prior-year period. This was due to the dramatic rise in corona virus infections following the easing of the country's zero-Covid policy.

Also in January, and to a lesser extent in February, ventilators were in high demand. This tailwind should not be considered sustainable and will probably fade away in the next weeks. We already commented on the supply chain disruptions, and naturally this also had a negative impact on the net sales development of the Medical business. Net sales were 15% lower year-on-year and decreased in all three regions. The lack of electronic components, particularly affected our anesthesia business. This business usually contributes above average margins. This is also a main reason for the lower gross profit margin, which is down by 7%. But also higher procurement costs for items such as electronic components and the increase in production costs had an adverse impact on the gross margin. Lower volume and the lower gross profit margin are the main drivers for the operational loss in medical of overall minus EUR 90 million. The DVA declined with the lower earnings to minus EUR 153 million. Let's move on to the safety division on Page 13. After a decline in orders in the year before, the safety division returned to a growth path in 2022. Order entry in 2022 was up by 8.4% year on year. All 3 regions contributed with a significant increase in orders with Europe making the largest contribution to growth. The main growth drivers were gas detection devices and respiratory and personal protection products.

That being said, our gas detection business, in particular, was affected by supply shortages. So despite the high demand for gas detection, we have built up an order backlog in this business. Gas detection usually contributes strong margins. Hence, the lack of deliveries in this area was a drag of the divisional margin. After strong net sales growth in the previous year, our net sales in safety declined by nearly 6% in 2022. There were declines in the Europe and Americas regions, while the AAA region slightly increased its net sales. The gross margin dropped by 3.5 percentage points. The profitable net sales generated with FFP masks in 2021 could not be repeated in 22. And this had an adverse effect on the product and country mix.

Higher procurement costs for electronic components also weighed on the gross margin. EBIT for the division was slightly positive. The DVA declined to minus EUR 43 million. Before I hand back to Stefan, a remark on our capital structure.

We started the simplification of Dräger's capital structure early 2020 with the cancellation of all outstanding participation certificates. In total, the payment for the redemption of all participation certificates amounted to approximately EUR 470 million. We have already paid more than half of this in '21 when we retired Series A and K and bought back part of Series D. The final amount of EUR 209 million for the remaining participation certificates Series D was paid out in January of this year. These certificates will still receive final dividend payment in 23 for the business year '22. The simplification of the capital structure is now concluded. We have concentrated Dräger's market cap from 5 to only 2 securities. From this year on, the profit goes entirely to our shareholders. This will be directly apparent in our higher earnings per share: considering the dilution effects of the capital increase 2020, the EPS will rise through the elimination of all participation certificates ceteris paribus by around 27%. That's it for the financial overview. Back to you Stefan.

Stefan A. Drager - *Drägerwerk AG & Co. KGaA - Chairman of the Executive Board - Drägerwerk Verwaltungs AG*

Thank you, Gert-Hartwig. Coming to our dividend proposal and outlook. The cancellation of the participation certificates in 2020 initially had a negative effect on the equity ratio. At the same time, we had announced that we would keep the dividend constant at the minimum distribution and only increase it once the equity ratio had returned to at least 40%. Since our equity ratio is now back up above 40%, a key requirement of a higher dividend has now been met. However, in light of the negative results, we will refrain from increasing the dividend just yet. Paying out a dividend in times of an operational loss is not compatible with our company culture. We will, therefore, propose to the general assembly to leave the dividend on the current level of EUR 0.13 for a common share and EUR 0.19 for a preferred share. Once we have restored profitability, we will pay out a higher dividend to shareholders. But before we go into the Q&A, let me share with you the outlook for 23. The outlook is unchanged to the guidance we communicated in January. We entered 23 with a strong backlog and some tailwind coming from the corona-related orders from China for ventilators.

With this, while this effect will fade quite quickly, we do expect a strong recovery of our top line development for the full year. The acceleration of net sales comes on the back of a gradual improvement of the availability of electronic components. On the back of higher orders on hand, healthy market demand and successful price increases, we expect net sales growth of between 5.5% and 9.5% nominally. If you take out currency effect, this would correspond to a constant currency growth of between 7% and 11%. On the cost side, we have budgeted very cautiously, especially since we need to compensate for higher procurement and personnel costs. R&D expenses will roughly remain on the prior year level, while we continue to deliver on our roadmap-- in the Medical division, we intend to bring 12 new products and developments to the market. In the safety division, we aim to launch 11 new products and development. After having invested into inventories to speed up deliveries, management has a strong focus on improving working capital again and thereby improving free cash flow. The good top line development will enable a return to profitability despite the headwind on the cost side. We expect the gross profit margin to improve to a range between 43% and 45% and the EBIT margin to return into positive territory between 0% and 3%.

While 23 will be a turnaround year for Dräger, the profitability achieved cannot be the end of the road. The implementation of the gradual renewal of our product portfolio will support future revenue growth and a further improvement of the margin. With this, I would like to end the presentation. You can find some additional guidance figures in the appendix of the presentation and all guidance figures are based on the assumption of stable exchange rates at the beginning of this year. And now we want to open the floor for your questions, please.

QUESTIONS AND ANSWERS

Operator

Ladies and gentlemen, at this time, we will begin the question-and-answer session.

(Operator's Instructions)

The first question comes with Christian Ehmann with Warburg.

Christian Ehmann - *Warburg Research GmbH - Analyst*

Hello, everyone. This is Christian Ehmann from Warburg Research. Nice to hear from all of you again. I only have at the moment one question. So you mentioned that your interoperability or interconnectivity suits are coming up nicely. And I think, if I remember correctly, this is one of the important issues of your R&D spending in the past year. So with this coming along, can you give us more color how we should look at the R&D spending in the coming years?

Stefan A. Drager - *Drägerwerk AG & Co. KGaA - Chairman of the Executive Board - Drägerwerk Verwaltungs AG*

So while in the last year '22, we had a double-digit figure of 10.7% is R&D spend from our sales for this year with the sales increase that we project, the R&D spend will decline relatively a bit to 10.2%. And in the years after, we expect it still declined further to a single-digit percentage figure. So underproportionally to the sales goals.

Operator

The next question comes with Felix Dennl with Kepler Cheuvreux.

Felix Jonathan Dennl - *Kepler Cheuvreux, Research Division - Equity Research Analyst*

I have a couple. Your sales guidance while possible, is by no means conservative, which causes for a 7% to 11% top line growth at constant currencies. My question relates to which areas both geographic and divisional you expect to provide the strongest growth contribution in 2023. Then moving on to the Atlan. You mentioned in the introduction that there were biocompatibility concerns that were raised. When are you now anticipating the approval of the Atlan in the U.S. Then on a separate matter, the reinspections regarding the warning letter from the FDA are expected to take place this year, as you also mentioned. Can you provide any updates here at what time this year perhaps they will take place. Moving on to China. I'm assuming and Mr. Lescow already hinted to this, that the reopening of China has been very beneficial for Drager in Q1 2023. How do you view your competitiveness in China going forward in light of the buy Chinese mentality. And the final question, could you provide some color on the supply chain situation? Do you see an improvement compared to last year? And are you still as strongly dependent on broker buys as last year?

Gert-Hartwig Lescow - *Drägerwerk AG & Co. KGaA - CFO, Executive Board Member for IT & Vice Chairman of Executive Board - Drägerwerk Verwaltungs AG*

Let me start with your first question on the roughly the regional distribution and also the fuel will sources of the growth. So firstly, from a regional point of view, we expect to return to our growth pattern which we have seen in many years that is stronger relative growth from outside of Europe. That's, of course, at the back of more than 50% of our net sales currently coming from Europe. And all 3 regions will provide to the growth. Secondly, when it comes to the divisional split it's roughly equal. We expect a similar relative growth from both divisions. So the share between the 2 divisions will be about the same. And when we look at the areas in particular, some of the areas which were strong this last year '22, like anesthesia, will provide a little bit less to the growth. Other areas like Respiratory Care, which provided a weaker performance in '22 will provide a faster growth. And perhaps the last word on the composition.

I agree with you that the growth target that you've said is ambitious. Please keep in mind that, that is also fueled in part by the strong order book with which we start the year with -- so it's in part, you can view it as a spillover from the weaker net sales in '22. So it's not really organic additional growth to 23%. Secondly, and that's roughly EUR 200 million to EUR 250 million in and of itself. Secondly, we expect that the growth will also be supported by our pricing measures. So a significant portion of our growth is not product growth but is realizing a better price for our products, which means less than 50%, if you will, of the growth ambition that we have set ourselves for 23 is actually new order entry of product growth, but it's actually all the book which we start the year and a better value, which we receive for our products.

Stefan A. Drager - *Drägerwerk AG & Co. KGaA - Chairman of the Executive Board - Drägerwerk Verwaltungs AG*

On the FDA, there is now increased awareness for biocompatibility. I think it's safe to assume that it's caused by the unfortunate the things that happened to one of our market companions there are hundreds of fatalities caused by the subject. So FDA is very alert and cautious and across the board for all the manufacturers and devices has increased awareness and has we ask for unprecedented extra documentation and testing biocompatibility, which has led, unfortunately, to an extension of the time line of the 510(k) for Atlan, beyond the point we had planned because the additional information is now interested. We do have that. We have all the testing, but it needs to be prepared and documented in the right format and then processed by the FDA. So -- and it's a you clock starts now in March. And we're kind of a little bit at the discussion of the FDA, they can take between 30 and 90 days. from now until when we have the results. So as this stands on the very important Atlan 510K approval. And then warning letter update I already said, anything that can be said during my previous words -- so we fulfill all the requirements and there's everything is on track. Nothing is derailed there. The FDA has a lot of things to do at the moment. So when the warning letter is removed as a sole discussion at the FDA.

So however, it is -- I can assure you that it has no negative effect on the operational business in sales or whatever, the biocompatibility subject that you ask first for the Atlan that does have an effect on the business in '23. The warning letter still there has no effect. So we can we work continuously with the FDA until that is completed. Second last question was on the competitive situation in China. It becomes more challenging for all non-Chinese players that play a hole in the medical device market. There is additional requirements, and it takes extra time for all the approvals and some made in China requirements need to be fulfilled at the moment. The China is so in between -- I would say our third largest market. So it's very worthwhile to continue to invest to a certain extent. For instance, last year, we had 40 additional patents granted in China, and that helps us to get the classification as an innovative company that gives us a 10% tax credit. And we continue to invest in some localization of some products. So however, as all non-Chinese companies, though it is becoming more and more challenging, which happens on a, say, very discrete matter way because many of the things actually that are happening against the WTO trade agreement a kind of an inofficial hurdles that are very difficult to grasp that make it more challenging. We know that it affects all the manufacturers. Some say that have more local, say, value cation production and development.

So it are a little bit delayed. We also have R&D and production in Shanghai and in Beijing, for both medical and safety. But eventually, the only thing to have as a Chinese ownership and had boats, it cannot offer. So then your last question was on the supply chain and whether it will ease and the broker buys will become less. Yes, we do see that already in the fourth quarter and a continued trend that it will become easier. So it affects not only electronic components, but many other things as well as well in the supply chain has been difficult to procure it is becoming easier in general. However, there may be also still some unpleasant surprises if the companies that are kind of subsuppliers to us do not make it because of the high energy price that they go very up, other effects can happen that we have not planned. So overall, we do expect the situation eases. On the broker buys, please bear in mind that the base that's accounted for, that the brokers get a commission. And then goods in the inventory, at the lower cost and the commission for the broker has already expanded in a different period. And as we will have effort and procurement of difficult to obtain components last year. So to some extent, we will benefit and get the earnings from the investment that we did last year only late this year. So that is also upside and helps us for we return to growth and profitability in this year.

Operator

Thank you. It seems to start no further questions at this time. I hand back to Stefan Drager for closing comments. Please go ahead.

Stefan A. Drager - *Drägerwerk AG & Co. KGaA - Chairman of the Executive Board - Drägerwerk Verwaltungs AG*

Yes. So I think that there was a reasonable opportunity to ask questions. Thank you very much for the 2 of you that asked questions. Thank you all for being with us today for your interest in Drager following up. And I look forward to some point in time, meet you again and hopefully, in person. And for now, thank you very much for being with us, and have a pleasant afternoon and evening. Thank you. Bye.