Transcription

Nokian Renkaat Q2 / 2021 Interim Report

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PRESENTATION

Operator

Hello and welcome to the Nokian Tyres Q2 2021 interim report. Throughout the call, all participants will be in listen only mode and afterwards will be a question and answer session. Just to remind you, this conference is being recorded today. I am pleased to present Päivi Antola. Please go ahead with your meeting.

Päivi Antola

Good afternoon from Helsinki and welcome to Nokian Tyres' Q2 2021 Results Conference Call. My Name is Päivi Antola and I am the Head of Investor Relations in Nokian Tyres. And together with me in the call, I have Jukka Moisio, the President and CEO of the company, and Teemu Kangas-Kärki, the CFO of Nokian Tyres.

In this call we will go through the Q2 results followed by a Q&A. So, Jukka, please go ahead.

Jukka Moisio

Thank you, Päivi, and good afternoon on my behalf. Welcome to Nokian Tyres' results call. I'll start with the prepared notes and I move to page two. And it's just to reflect the highlights of this quarter. So, net sales not really profit increased significantly. Net sales were 416 million, about 55% up on the comparable currencies compared to 2020 Q2. That was driven by strong demand in all markets and also for the business units and business areas contributed to growth, keeping in mind that Q2 in 2020 was particularly hit by COVID pandemic.

Segment operating profit was at 89.6 million, up from 24.4 million in 2020 Q2. The biggest impact came from increased sales volume and then we have some headwind from currencies by €5 million in the negative territory.

I move to page three. Some of the financial highlights. Call out some key numbers. As mentioned, the top line is up and segment operating profit up. The percentages in segment operating profit was 21.5% versus 9% in second quarter 2020. And segments earnings per share at 51 cents versus 9 cents a year ago.

Particularly good development in cash flow, despite the fact that the increased quite a bit of receivables and working capital as the business picked up compared to 2020. Nevertheless, we deliver positive cash flow in the quarter.

Capital expenditure in the quarter below prior year, and this reflects the fact that some of the major investments that we were still completing in 2020, these programmes are now behind, and we are working to get the benefits from those. We mentioned particularly the Dayton factory and as well as Spanish test track of the two investments that we've completed since the second quarter 2020.

Half year numbers, top line is up by 41.5% in constant currencies. Segments operating profit at 18.5% in six months versus 7.4% a year ago. And segment EPS at 80 cents per share versus 16 [ph 00:03:33] cents a year ago. Return of capital employed at this point of time, 12 month rolling, is at 13.9% versus 10.6% a year ago, and equity ratio after six months a strong 66%. Gearing [ph 0:03:44.6] low at 9.4%. It's per net debt at this moment that after six months is 140 million and capital expenditure year to date at six months is slightly below 40 million. 12 month rolling our next phase are now at 1.52 billion versus 1.3 billion in full year 2020.

At this point I'll handover to Teemu our CFO to talk about the financial results of the segment and other financial details. Teemu, please go ahead.

Teemu Kangas-Kärki

Thank you Jukka.

Starting with the passenger car tyre business unit, the key figures and highlights. Our net sales grew with comparable currencies almost 75%, driven by strong growth in Russia, followed by North America, Central Europe and the Nordics. All main markets clearly increased the net sales.

Our average sales price decreased due to the increased share of Russian volume, which was the case already in Q1. And our operating profit clearly increased because of the sales volume, and we were able to record a segment operating profit close to 71 million and our segment operating profit for the period was on a level of 25%.

In the US and in Finland we have added new shifts to increase the production due to the fact that the demand is strong in all markets.

If we move them to the next page where we can see the breakdown of our net sales and segment operating profit. And starting with the net sales, we can see that clearly volume is the main driver and then the price mix is close to flat. -1% negative and then you had a headwind from the currencies.

I repeat the same comment that I made in the Q1 call, where I stated that the region or the business area mix impact coming from Russia is about 3% negative and then the net price mix is about 1% for the passenger car tyres.

Then moving to the segment operating profit. Here, maybe highlighting the material impact or the decreasing material cost in Q2. And for the full year. Just reiterating our guidance that raw material prices are increasing for the full year in Q1 our estimate was about 9%. Now, our estimate has increased to the level of 12%, meaning that in the second half we will have a strong headwind from material unit costs.

So, meaning that if the full year guidance is 12% and for the first half we are a small positive impact then simple maths indicates that in the second half the impact is negative around 24/25%. In order to offset that factor, we continue to increase our prices, as we have already done in the first half, in the second half, in order to be in a better position to protect the profitability of our passenger car tyre business unit.

Then if we look at other aspects in the segment operating profit you can see that currency headwind SG&A being closer to the normal level after the last year when we cut the costs and then we haven't recorded any targets cohesion in the period.

Let's move them to the heavy tyres where the net sales and segment operating profit continued to grow. Our comparable currency net sales growth was on a level of 53%. In absolute terms on a level of close to 63 million and our segment operating profit close to 12 million. And the segment operating profit for the period was on the level of 18.8%.

The volume development was driven by customer stronger production levels and also the new product launches that we have made, and therefore the demand was strong in all product segments within the heavy tyres business unit.

And if we look at first half, operating profit for heavy tyres for the year recorded all time high segment operating profit. The inventories are at a low level in heavy tyres despite the fact that we do our upmost to produce whatever we can to serve our customers in the best possible way.

Then moving to VNR [ph 00:10:20]. The performance has been good, and all countries recorded top line growth with comparable currencies 8% in absolute terms - close to 92 million - and the segment operating profit on a level of 10 million, and the profitability seen on a healthy level of 11%.

The operating profit improvement for the business has continued to be strong, supported by stable operations that we do in service centres.

As we have highlighted, the focus for this year is about growing the top line and focusing on the cash flow and therefore we have recorded a strong cash flow for the first six months, as commented by Jukka.

Moving to our assumptions, there are now no major changes. Demand is from both replacement car tyres and for heavy tyres core products. Russian Ruble is always a key factor in our performance. And then one addition that we wanted to include in our assumptions at this point is the logistics cost that we clearly see pressure coming from there. And the full year impact is about high single millions coming from the logistics costs.

We have not changed our guidance due to the fact that the assumptions have not changed and therefore the states [ph 00:12:47] that our net sales with compatible currencies and segments operating profits are expected to grow significantly for the full year.

Handing over back to you, Jukka.

Jukka Moisio

Thank you, Teemu.

I wanted to just remind that we have all time high number for new launches, new product launches, and want to draw attention to Hakkapeliitta 10, which is our flagship winter range that will be available to consumers in the fall of 2021 and that will include safety and SKUs [ph 00:13:13] for passenger cars, SUVs, hybrids and EVs. Very comprehensive size selection and also good benefits in having great comfort and reduced noise level, better on road stability and silent drive technology. This is simply to highlight our key product but also keeping in mind that we have been launching late 2020/early 21 and will continue to launch record numbers of new products and this is an important driver for our top line and also in terms of getting higher and better price points for our products.

Also to remind that we are committed to safe and sustainable manufacturing. So, in the quarter - and this year we've been included in the European Climate Leaders 2021 list for significant greenhouse gas emission reductions. Our US factory also earned ISO 14:001 certification in May and LEED lever four silver [ph 00:14:20] certification in March. The Finnish factory earned ISO 54:001 certification for occupational health and safety in January and we inaugurated the solar powered plant on the Finnish Logistics Centre in June. These are some of the highlights in or sustainability and that is an important part of our operation and important part of our commitment going forward.

I move to page 13, our priorities for second half 2021. We want to drive the growth with new product launches and continuous improvements in core [ph 00:14:59] market activities, so volume growth. We want to protect our cash flows by prioritising investments and capital outlays and also manage our working capital carefully. We'll take mitigating actions to reduce the impact of cost inflation. These mitigating actions consist of price increases which we've done in the early part of the year and continue to do them in the second half.

And as Teemu was pointing out, there is significant raw material cost, logistic cost increases in the pipeline. We will counteract them with price increases. And also we want to keep the cost under control. So this is the second mitigating action. So, there are two things to protect our profitability and cash flow against the cost inflation. And we believe that with our valued brands, strong expertise and strong production capacity, we are in a position to develop and meet those expectations in the second half.

So, this completes my prepared notes. I want to remind everybody that we have a Capital Markets Day scheduled on September 9, 2021, starting at 1 o'clock. The invitation to this Capital Markets Day went out today, so please put that on your calendars and keep in mind that's the moment when we talk about the long term medium term targets and ambitions.

Now, I open and hand over back to Päivi and we open for Q&A. Päivi, please.

Päivi Antola

Thank you, Jukka. Thank you, Teemu and now we would be ready for questions from the audience please.

Q&A

Operator

Thank you. If you wish to ask a question, please dial 01 on your telephone keypad now to enter the queue. Once your name is announced you can ask your question. If you find it is answered before it's your turn to speak, you can dial at 02 to cancel.

Our first question comes from the line of Akshat Kacker of JP Morgan, please go ahead. Your line is open.

Akshat Kacker

Thank you, good afternoon Akshat from JP Morgan.

The first one on price increase. Can you comment on the price increases that have implemented in your core markets as of now, Nordics and Russia as well as the price increases in Europe and North America to offset the different elements of cost inflation that you spoke about raw materials, failed logistics, etc.? It will be helpful if you could quantify the net increases that you've been able to pass through in different markets. That's the first one.

The second one is on the Russian market. You have obviously seen some very strong volume growth coming in the first half and you've also won market share in summer and all season tyres. Can you just share your expectations for the rest of the year in terms of what are you seeing on market dynamics? Just talking about different elements like inventory levels, pricing, and overall consumer sentiment as we look into the second half.

And the third one is on Dayton, just so limited mention of Dayton in the prepared remarks. Has there been any change in the ramp-up plans of the plant looking out beyond 2021? Those are the three. Thank you.

Teemu Kangas-Kärki

If I start with the price increases by region. As I said, we have implemented price increases in all of our markets. Clearly the highest increases are in Russia where they are significant in terms of percentages. Then in Central Europe and Nordics and North America, they are lower than in Russia. But the ambition is to offset in local currencies the price increases and the impact for the calendar year is we cannot offset the calendar year impact because the raw material prices are increasing. But on a rolling basis, that is the ambition to fully offset the input cost price increases.

Jukka Moisio

If I continue with the Russian market. So, obviously we have had a good trading in Russian market. Why that happens is that we are strongly dedicated to Russia, it's an important market for us. We also see that some of the competition may not prioritise Russian market the same way we do so therefore we've gained market share and we continue to see that momentum strong throughout the year and also into 2022. Inventory levels in Russia from our perspective are healthy, so therefore we don't see any excess, we see strong sell out as well as strong sell in in our pipeline. And as Teemu was talking about the price increases, so we've implemented price increases in Russian market which are offsetting the raw materials and aiming to offset those also into 2022, keeping in mind that the environment is the cost increases are coming. But we are quite pleased with the Russian momentum, and we expect to enjoy good and strong volumes into the 2022.

Dayton, no change. We continue to ramp up its target to purchase during the quarter and after the quarter in July we started the fourth shift, and we continue to ramp up. In terms of just a general comment about the production, essentially we are running flat out in all our factories. We have had a short summer break in late June early July, but they're loaded, and our main important task is to find additional capacity and capability which we can mobilise in order to supply the market. And this is the situation. So in terms of Dayton, no changes. We keep on ramping up and our ambition is to go into higher volumes in 2022.

Akshat Kacker

Thank you one quick follow up if I may on price increases.

Is it possible to split out the price mix impact in Q2? Can we separate price mix please?

Teemu Kangas-Kärki

As I have said earlier, in terms of going into the specifics within the price mix, in our case we should look at long term trends not only look at the one quarter or even first half due to the fact that our customer portfolio is more condensed than with our competitors. So there are swings that are not transparent on a long term basis.

Jukka Moisio

But if you look at our – Yeah, and if you look at our mix at macro level then winter tyres about half of the volume and then summer tyres all season is the other half. And that typically is not the case. Typically have more winter tyres than what we have had this year in the first six months.

Akshat Kacker

Yeah, I was just trying to get to the underlying positive price impact in that number.

Jukka Moisio

Understand that.

Akshat Kacker

Thank you.

Teemu Kangas-Kärki

Maybe just to reiterate what I said earlier in the call that the region of the BA mixed impact, the negative impact is about 3%. So taking that into account, the price mix is last 2%, give or take.

Akshat Kacker

Thank you both.

Operator

Thank you. Our next question comes from the line of Thomas Besson of Kepler Cheuvreux. Please go ahead, your line is open.

Thomas Besson

Thank you very much. Thomas Besson of Kepler Cheuvreux. I have a few questions as well.

Firstly, I'd like to comment, to get a few comments on your new range that is going to support your market share and profitability in the next two or three years particularly in the second half. Could you discuss the level of interest from your dealers and the level of orders already in the first part of the year for this Hakkapeliitta range please? That's the first question.

The second question is the more on the bridge. You report for the second consecutive quarter in a row reversion of provisions for bad debts of 5 million, so that's eight for the first half. Could you indicate if there is more of that to come in the second half, or if you've already reversed everything that could be reversed in the first half?

And thirdly, I'd like to get a few comments if that's possible on the level of profitability which is achieved in Dayton in 2021 compared with your plan. Are you ahead thanks to the very unusual pricing environment in the [inaudible 0:25:01.1] or are you just in line with plan in North America?

And that's it for me. Thank you.

Teemu Kangas-Kärki

Maybe if I start with the Dayton and profitability.

So, we are basically on our plan, so there's no change in that. Obviously, we will see then at the end of the year because the bigger part of volumes expected in the second half simply based on the fact that we add more shifts and they become operative as we speak. So therefore, of course, the volume and profit generation is expected to be stronger in the second half. Now most of the profitability improvements in the first six months are coming from strong loading of Russia and also improved loading and heavy tyre performance.

If we talk about the Hakkapeliitta 10 expectation, so it's in the early stages and shipments and so on, and I believe that the performance of the tyre is very good, so we are very pleased with the performance. We have tested that and so on obviously, but it's important to see is what are the external tests and what they, kind of feedback they give and those would be available in the early fall. But so far, we see a good demand on that, and I think that especially at this time, we have a very good and strong offering in winter tyres throughout the Nordic, Russia and also Canadian, Northern part of the US territories. And especially for example in Russia, when we have the Hakkapeliitta 10, Hakkapeliitta 9, Nordman 8. We have quite a strong line up of winter tyres and the same applies to Nordic and North America. And as this is very important for us, we've also taken enough capacity and enough focus to make sure that we are capable to deliver for that season.

That's all I can say at this point of time. I believe that then we have a third quarter behind us and during the third quarter there will be test results and similar available that externally you can also verify that this is a high performer as a product.

Jukka Moisio

Then then you have to question regarding the bad debts provision. It's good to think that in the light of all of the events that we faced last year due to COVID and therefore the picture was gloomier than it is at the moment and therefore we provided with our best estimate for bad debt provision. Last year, currently, naturally the outlook is better and therefore we haven't put any bad debts provision year to date.

Teemu Kangas-Kärki

Strong performance throughout the value chain, including ourselves, our distribution and so on.

Thomas Besson

Sorry, thank you for these replies.

I was asking if they are going to be more releases of bad debt provisions from last year in H2, or whether you released everything you had because it's been a decent boost in H1.

Teemu Kangas-Kärki

So, these are not releases. This is the delta between last year and this year. So last year we booked provisions, this year –

Thomas Besson

Yeah, I understand. So is there going to be a gap again between last year H2 and this year's H2 or have we seen all the benefits of that difference for the year?

Teemu Kangas-Kärki

As I commented, the outlook is more positive than a year ago but hard to comment in advance for bad debts provision, but at least how it seems today I'm optimistic about the second half.

Thomas Besson

Thank you very much for all your answers.

Operator

Thank you. Our next question comes from the line of Mattias Holmberg of DNB. Please go ahead your line open.

Mattias Holmberg

Thank you and hello everyone. Given what you know right now about raw materials and logistics costs, will you be able to fully compensate with price increases this year, or should we expect it to be a net negative?

Teemu Kangas-Kärki

As I commented for the calendar year, I'm not expecting to offset the raw material price increases fully. But on a rolling basis that's our ambition level in local currencies to offset the impact of increased costs.

Jukka Moisio

We watch this raw material evolution carefully and obviously as we have seasonal pricing and continued focus on this we will seek to increase prices and to mitigate this as we go along. Because this is an environment that everybody understands that cost inflation is there and that the important thing is to take actions to mitigate that and the actions are really twofold, one is to increase prices the second one is to contain costs. And with these two we seek to secure the profitability development. But this is an environment that is not going to stop. Most likely this year, cost inflation will continue well into 2022, is our expectations. So, therefore working on that continuously is vitally important.

Mattias Holmberg

Thank you. Maybe I'm just not smart enough but can you please explain what's preventing you from simply adjusting your prices to cover the costs at this point and why you need a longer time to compensate?

Jukka Moisio

As we said, this is our ambition that the offset but obviously takes a little bit time to work so you don't work step by step, but you work a little bit. In heavy tyres we have escalation, de-escalation which have a slight lack and then in the other places we work as quickly as we can.

Mattias Holmberg

Understood thank you. Finally from me, you mentioned, I think single digit million higher logistics costs for the full year. Would you be able to specify how much of that you've seen in H1 or if it is sort of an H2 issue?

Teemu Kangas-Kärki

I would say that if you split that by two then you are close enough. Because it has started already in the beginning of the year.

Jukka Moisio

And it was clearly visible in the second quarter that logistic costs and the availability of containers and such a higher price was visible and also experienced by us.

Mattias Holmberg

Great, thank you.

Operator

Thank you. And our next question comes from the line of Sascha Gommel of Jefferies. Please go ahead, your line is open.

Sascha Gommel

Thank you very much for taking my questions. I've got a few items. Firstly on the guidance, we're now halfway through the year, but you still remain fairly vague about your 21 performance. Any particular reason why you're not more detailed in your guidance for this year?

Jukka Moisio

No particle of reason. We believe that we provided the guidance early in the year and don't see any need to change that because it covers our expectation of the full year.

Sascha Gommel

I see okay, perfect. And then my second question would be on the mix impacts in the second half of the year. Is it fair to assume that the negative impacts from the Russia improvement will be lower and then the new products will drive a positive product mix? Is that the right way to think about the second half of the year?

Teemu Kangas-Kärki

Especially, our expectation is that the negative impact will be smaller in Q4 due to the fact that Q4 for was already a strong quarter in Russia. Therefore, the growth expectation for Russia in the fourth quarter is smaller than in the first nine months.

Jukka Moisio

And the new products, obviously when they go to market and are being delivered then they command better pricing than all of the existing. And this is of course something that we expect to help our second half, Hakkapeliitta 10, as mentioned, is something that is important for us. But also all the other new products.

Sascha Gommel

Perfect, understood. And then my last question is on working capital. Your payables remained flat versus Q1 but you receivables went up and then you had quite a significant increase in other payables. So I was just wondering if you can help me reconcile those numbers a little bit.

Teemu Kangas-Kärki

So, clearly the receivables are increasing because of the stage increase. And then in payables, I think that is the action of, or the result of all the actions that we have taken in order to improve it, and this is the end result of this one. And then the third point is the dividend that we recorded in our payables in this quarter. That will be paid in in December due to the fact that the board already decided and therefore we took it away from the equity and it is in payables.

Jukka Moisio

Part off the dividend is basically unpaid, but it's away from equity and for equities a little bit artificially lower and therefore this booking actually has an impact on that.

Sascha Gommel

Makes sense. And one follow up on the payables. Shouldn't the payables number also go up in light of the growing top line? And also rising raw mats and that has a positive impact on your payables.

Teemu Kangas-Kärki

It had an impact, but as it also impacts the timing of power of our purchases and the inventory level so one quarter is too short of a period to look at it.

Jukka Moisio

Visibility is more in the quarter three and quarter four based on the expectation of the raw material.

Sascha Gommel

Understood, thank you.

Operator

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

Artem Beletski

Artem from SEB. Thank you for taking my questions. Actually I have two questions relating to product mix. Could you maybe first comment on to what extent actually new products have been already visible in Q2 numbers? So looking at for example Russia, so gross there was clearly more than 100%. So this is all products like Hakkapeliitta have been impacting quarter already.

Then looking at full year product mix, so it feels quite high share of summer tyres what you have been feeling also in Q2. Is it fair to assume that on full year basis mix or basically portion of summer tyres should be in line with history or basically roughly 20% of the total?

And the last one is related in actually too heavy tyres, this record sales since water. Is it basically so say maximum volume what you can deliver on quarterly basis within this segment? Just keeping in mind all these capacity increases what you have been doing over past year, so are those basically completed now? Thank you.

Jukka Moisio

Thank you so about product mix I would expect that the full year is similar to our past history, when we then come to the end of the year including the full calendar year becomes comparable. Obviously what is important is that they all season volumes have increased, and the share of all season is likely to go up and that prompts in addition, so that percentage is probably higher. But then overall the volumes go up so that the share of various products will remain roughly at the same level as in the past. So therefore you can expect that strong delivery of winter tyres. Yeah, we've shipped a lot more summer tyres and all season in the first half and the hope to catch up based on what I said, hope to catch up that the mix will be normalised by the end of the year.

Teemu Kangas-Kärki

And then your question regarding the heavy tyres production output. That is right that at the moment we ship everything that we can produce. Therefore I made the comment earlier, that also our inventories are at low level because we are not able to increase the inventory levels because of the high demand.

Jukka Moisio

Overall, as a comment that we are really tight on capacity. So, we see capacity opportunities left and right and that is important. That has been in the end of the second quarter and coming into the third quarter that is the situation. So clearly very important to pay attention to that. An important operative job for us to make availability and production run well.

Artem Beleski

Yes, very clear and maybe just on the topic of basically new products visible in Q2 mix. Is it fair to assume that you have been shipping already Hakka 10 for example on Russian market? Or has there been already some impact there?

Jukka Moisio

Some of that, yes, but I think that basically it's coming along as we speak. So obviously the Hakka 10 production is - and the [? 00:40:08] and so on, is ongoing important as we speak.

Arte Beleski

Okay, very clear, thank you.

Operator

Thank you, our next question comes from the line of Panu Laitinmäki of Danske Bank. Please go ahead, your line is open.

Panu Laitinmäki

Yes, thank you. I have two questions.

Firstly, on the raw material cost inflation. Can you repeat that expected inflation in terms of percentage and do you have a number in terms of euros for the second half like you mentioned for the logistics costs?

And then, secondly, given all the inflation and mitigation actions and what have you, do you expect the second half EBIT margins to be up year on year?

Teemu Kangas-Kärki

So if I help you in the math. So I said that 12% roughly give or take for the full year. First half we have seen a gain material unit cost. So in percentages, if you just multiply that by two you on a level of 24-25%. In euros, you can see that in our bridge we have shown a positive number of 455 million, meaning that in the second half should be negative. If the full year impact would be on a level of 40, gain of five means that the second half should be on the level of 45 give or take million.

Panu Laitinmäki

All right, thanks.

And then on the EBIT margins, do you have an expectation that you could share with us? Did you expect the margin expansion to continue to take off?

Teemu Kangas-Kärki

I have a view but unfortunately we are not disclosing that.

Panu Laitinmäki

Thank you.

Jukka Moisio

We understand what needs to be done and we work diligently to achieve.

Panu Laitinmäki

All right.

Operator

Thank you. Our next question comes from the line of Pasi Väisänen of Nordea. Please go ahead, your line is open.

Pasi Väisänen

Great thanks. This Pasi from Nordea.

Firstly both about the markets. I mean, what is the current status when we're looking at the market recovery and the sales follow up? So kind of when this current inventory restocking, and the pent up demand peak will be over and when you are going to see an ordinary kind of crowd figures in Nokian Tyres?

And secondly about your guidance. So, well, would it be a reasonable assumption that the significant sales growth actually means over 20% or not on a full year basis?

And maybe lastly, just to confirm. So, do we then expect about 1 million annual volume increase in Dayton plant for coming years? Thanks.

Teemu Kangas-Kärki

Okay. So, the market recovery, I think that if you look at the replacement tyre market to the first six months of 2021 versus the first six months of not 2020 but 2019. I think we're still behind that 2019 level in 2021 in first six months. So therefore, in order to get the recovery to 2019 level, there's still some way to go. And then, of course what is also missing is then the potential or likely growth, this has not materialised in from 2019 to 2021. So, there are a couple of elements that still will help the volumes most likely.

Our expectation is LMC expectation that the markets will recover from 2020 level quite a bit, but not maybe achieving exactly 2019 level in 2021 so that 2022, we believe that then the recovery is full and maybe the momentum to continue growth will happen in 2022. So that actually those volumes would be higher than or at the same level or higher than 2019. Significant, yeah I think that that is an interpretation. That obviously the VC have strong momentum in our net sales and year to date constant currency growth in six months is about +40%.

So that is what you have right now. You know that to anticipate what will happen the second half, some recovery probably but in the final quarter already 2020 was a strong recovery quarter, so momentum of 40% will not continue the full year. But where it lands is difficult to anticipate at this point of time.

And what was the third? Dayton volumes. We are basically working with the Dayton volumes so that we get to four shifts and then we are also adding the lines to be able to build and cure million tyres. That programme is ongoing including the necessary expenses on the factory and so we can expect that the volumes go up this year and next year and the year after. We start installing the lines and so step by step we achieved 4 million. Probably is a good proxy to think that it's not the linear 1 million per year, but there is a plan to go to 4 million.

We come a little bit back on that that this CMD in about one months' time and then we talk about the expectation and the volumes that is our mid-term target across all the factories in passenger car tyres as well as in heavy tyres.

Pasi Väisänen

Great thanks, I hear you. That's all from my side.

Operator

Thank you, our next question comes from the line of Eduardo Skelan of HSBC. Please go ahead, your line is open.

Eduardo Skelan

Good afternoon, thanks for taking my two questions.

The first is on production versus sales. I think you're producing at elevated rates now, almost flat out but, I understand, but also selling very high volumes. Can you comment on whether the production levels, are they quite safe? Do you expect to keep producing at very high levels in for the second half of the year? A bit of commentary on that would be great. Inventory levels for the passenger cut division.

And the second question is on the raw materials. I think it will be very interesting to understand how you think about the current inflationary environment. First for demand, if there is any positive impact on our Russia per se? But also secondly, given your growth strategy for volume, are you happy that there is a raw material inflation? Does it help you in being more opportunistic to push the volumes that you wanted? Thank you very much.

Jukka Moisio

The first question was about the production and selling at elevated rates. So obviously, when we went into this year at the recovery was quite strong and so therefore we increased capacity and run rates of the factories very quickly. Also added shifts in Dayton and Nokian and some of those benefits will come in the second half. We are running essentially full utilisation of the available capacity. Expect that to continue until the end of the year and then we will see how 2022 and pre-orders for 22 will happen. But at this point of time, the added capacity, added volumes are needed and we will go with the plans to see how much more capacity we can add. So we are loaded or fully loaded, if you want. EBITDA is the same story.

Teemu Kangas-Kärki

Can you repeat the second question?

Eduardo Skelan

Hey, yes. The question is on the raw materials. I think that the raw material price growing so I wanted to ask if you see any benefit in Russian demand. If there is any good oil price support to Russian demand. But also on the strategy because you want to grow volume very much, is it helpful for you that raw material prices are growing? Because competitors are increasing the pricing. So I just wanted to ask if internally you're happier that the raw material prices are going up. Would it be better for you if the raw material prices were going down?

Teemu Kangas-Kärki

So if I give you that rule of the thumb in the industry that has been presented. So, when the raw material prices have been going up, it has been beneficial for the whole industry. And this rule of thumb still applies, this is a good situation for us and profit for the industry.

Jukka Moisio

And I believe that the price increases are being executed in the industry not only by us but also by competition, and you certainly seen that commentary from the competition as well as a master. The price increases in the inflationary cost environment are important and necessary.

Eduardo Skelan

Okay, thank you. And this is not a problem for the volume growth like that, maybe even almost, I don't know if it's better for the volume growth but the raw material pricing, is it a problem for volume?

Teemu Kangas-Kärki

Not at this point of time because the matter is mostly availability. How do we make – How can we make enough tyres to meet the demand.

Eduardo Skelan

Thank you.

Operator

Thank you, we currently have one further question left on the Q&A Qs. So just as a reminder to participants, if you do wish to ask a question, please dial 01 on your telephone keypad now. And that question comes from the line of Pierre Quéméner of Stifel. Please go ahead, your line is open.

Pierre Quéméner

Yes, good afternoon. Pierre Quéméner of Stifel. Thanks for taking my question.

Just one left for me. Regarding your spending, there have been quite close in the first half in the cash flow we had a Capex of 39 million. It is the new normal or shall we expect to catch up with you in half and next year?

Thank you.

Jukka Moisio

Basically, the capital outlay at this point of time is in the early part of the year, clearly below what we spent in 2020. Obviously 2020 included some of the major plans that were in execution at that time. The new normal is below 2020 full year level, so 150 million. Most of our capital expenditure at this point of time goes into new modes and productivity improvements and such, and then also increasing the capacity in Dayton. And we believe that in around those numbers we will be below that 150 million in years to come. There may be some years that they might be higher, but on a macro level, 150 million or below will be enough for us to maintain the growth momentum and to achieve our ambitions.

We'll come back to that also had to CMD. But basically, on the background of that is that major investments have taken place in the past couple years, three years, and that it's time to get the benefit out of those and therefore the capital requirements immediately in the major plans will be limited. However, there will be of course productivity equipment here and there, and especially the new product related mould investments that will take place every year.

Pierre Quéméner

Yes, thank you, Jukka.

Just to follow up on that one. Should we expect Capex to be above the triple digit threshold this year, above 100 million right?

Teemu Kangas-Kärki

Yeah, we think that when we went into the year, we anticipated somewhere in the 120-130 million level.

Pierre Quéméner

Many thanks, helpful.

Operator

Thank you. And as there are no further questions in the queue at this time, I'll hand back to our speakers for the closing comments.

Päivi Antola

So if there are no additional comments, it's time to finish the call. And as Jukka mentioned earlier, the next event will be our Capital Markets Day on the 9th of September where we will focus on Nokian tyres meets growth ambitions. The CMD will be an online event and you will find more information about the event on the release which we published earlier today as well as on our website.

And this ends today's conference call. Thank you for participating and have a good day.

Jukka Moisio

Thank you.

