Natuzzi S.p.A.

Second Quarter 2022 Financial Results Conference Call

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CORPORATE PARTICIPANTS

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Stephen Regan, *Regan Analytics*

David Kanen, *Kanen Wealth Management*

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PRESENTATION

Operator

Welcome to the Natuzzi Second Quarter 2022 Financial Results Conference Call.

As a reminder, interested persons can join this conference call live via telephone by dialing in the following number: (+1) 412-717-9633, then passcode 39252103#. Once again, to dial-in, please dial (+1) 412-717-9633, then passcode 39252103#, in addition to the link already provided for the video to join.

Joining us on today's call are Mr. Antonio Achille, Natuzzi's Chief Executive Officer; Mr. Jason Camp, President of Natuzzi Americas; Piero Direnzo, Investor Relations; and Mr. Pasquale Natuzzi will join us in a few minutes. As a reminder, today's call is being recorded.

I would now like to turn the conference over to Piero. Please go ahead.

Piero Direnzo

Thank you, Kevin.

Good day to everyone and thank you for joining the Natuzzi's conference call for the second quarter 2022 financial results. After a brief introduction, we will give room for a Q&A session.

Before proceeding, we would like to advise our listeners that our discussion today could contain certain statements that constitute forward-looking statements under the United States securities laws. Obviously, actual results may differ materially from those in the forward-looking statements because of risks and uncertainties that can affect our results of operations and financial condition.

Please refer to our most recent annual report on Form 20-F filed with the SEC for a complete review of those risks. The Company assumes no obligation to update or revise any forward-looking matters discussed during this call.

Now, I would like to turn the call over to the Company's Chief Executive Officer.

Please, Antonio.

Antonio Achille

Thank you, Piero, for the introduction. And good morning, good afternoon to all the respected investors and analysts.

As usual, let me start sharing a bit what has been the quarter results. As you've seen from our press release, we closed the quarter on a positive note, both in terms of sales, which were high single digit above 2021, that as you know has been a very strong year for the industry as well as for Natuzzi. We closed 2021 30% above 2020. So, having a quarter and half, which closed 7.8 in the first half, I believe, has been a good result. And of course, we are very much higher than 2019, which has been the last year, our normal condition for the market before COVID. We closed roughly 27% above 2019.

The driving force of the growth has been the branded business. We will be commenting more in detail, but our branded business now represent 90%. As you know, this is the future of the Company. We are on a journey to become a brand retailer, and the branded business now is more than 90% overall turnover.

It's also the sixth sequential quarter with positive results after quite a significant track record of investment of the Company that resulted in negative operating profit. We close with $1 million operating profit in the second quarter. We spell out that in comparing this figure to 2021, you need to take into account the one-off measure that were still in place because of COVID that accounted for the $1.5 million in 2021.

In other words, the operating profit of $1.1 million for the second quarter compared to $0.1 million operating profit for 2021, once the official number is netted by the one-off measures. We continue paying a significant attention to cash, also given the uncertain times every business is running through. Our cash position is close to $60 million, roughly double that we need to manage our daily operation. And this is a bit the picture in essence of the business.

We will be discussing the specific action we're taking as a leadership team to face a market contest. They remain not only for us, but I would say for the whole furniture industry and I would say for the whole economy quite challenging because of multiple factors. Those factors have also been affecting our business in terms of orders. In fact, last week we have seen a trend less positive than what has been in the start of the year, and we are taking, and I will discuss later, both the top-line measure and cost measure to ensure that these difficult conditions are not impacting our financial and our long-term plan.

Let me stop here. I'd rather continue the discussion more in Q&A fashion rather than in this opening.

Operator

Thank you. Our first question is coming from Stephen Regan (phon) from Regan Analytics. Your line is now live.

Stephen Regan

Yes, good morning.

Antonio Achille

Good morning.

Stephen Regan

Good we have connection here, yes, or should I say good afternoon rather?

Antonio Achille

Yes, we are (inaudible) afternoon here. It is 4:00 p.m. (inaudible)

Stephen Regan

Okay. Well enjoy your evening after this call.

Can you please just explain your FX strategies? Obviously, we're in unprecedented times in the FX markets globally. Can you please explain how Natuzzi is taking steps to mitigate that? And is most of our money, is it in the Euro? And I thank you for taking my call—or my question.

Antonio Achille

Thank you, Steve.

Let me start from the last part of your question. So, we're working on the markets. When we look at the buying is predominantly in dollars, because some of our, let’s say, key ingredients like the wet blue leather is negotiated in dollar and we buy from China where we source typically emulsion (phon) and other semi-metallic parts in dollars.

When it comes to selling, our business has a significant portion in U.S., which more than offsets the purchase in dollars. So, at the moment, we'd rather benefit than suffering from a stronger dollar. More in general, we're working with several currencies. The way we do to our, let’s say, Financial and Treasury department, we don't do covering, because the covering will be too costly. You can develop the position short-term to offset the FX fluctuation.

We basically do short-term coverage to offset the FX fluctuation. And I think for what I've seen, so far, our Treasury department has been quite successful in doing so and navigating quite nicely through these FX volatility period.

Stephen Regan

Excellent. That's really good news. A follow-up question. The stock trading on the New York is trading at cash, basically U.S. dollar, trading at cash. What does the company think about that number one; and what steps can we take to improve shareholder value? And thank you for taking my questions.

Antonio Achille

What I think, about it, I will use the polite version of what I think about it. I definitely see a bit of a symmetry here, maybe given the past history of the Company of not being systematic in providing return to investors. Last year, we closed with a $25 million EBITDA. As you said, we traded cash, not even considering the cash that we don't have on our balance sheet, but we have in our JV with the €60 million, or $60 million, and now where we have a minority, and then (inaudible) is not considered in our balance sheet, but also that in a sense is part of the broader value creation story of Natuzzi.

Let me take the positive angle. I believe as a CEO and as a leadership team we need to do two things and it is actually in this order. First is to systematically deliver value to shareholders and hence ensuring marginality and profit and cash return on capital employment. And this is, let's say, entirely on our end.

The second element is that we're trying to as well do to bring some spotlight or clarity on the story on Natuzzi, which as you know is a microcap in the U.S., so we run the risk of being neglected for investors is also not benefiting from analyst coverage. In essence, we do our duty not to do too much romance (phon) about what we're doing, but at least to provide clarity. As part of that, we are doing quite regular calls with potential investors. We're also planning to join some events late October, like LD Micro. Maybe it's not the ideal time, but again, it's not a roadshow, it's simply sharing our story and what we are doing in a transparent manner.

Stephen Regan

Thank you.

Operator

Thank you. Next question is coming from David Kanen from Kanen Wealth Management. Your line is now live.

David Kanen

Good morning, guys. Actually, congratulations on turning a profit with all of the challenges that you were facing in the quarter, China, inflation, etc.

Just to scratch beneath the surface in terms of some of the operating lines, it looks like the operating expenses were down from like $37.7 million, down to $35.6 million, despite revenues being up about $6.5 million, and it looks like that was mostly transportation. Can you just confirm that for me, or were there other items that contributed to that reduction in Opex? And as we get into the second half of the year, I mean, when we look at spot rates and container costs, it looks like it's going in the right direction, but can you give us a little bit of an update there?

Antonio Achille

Let me start, but definitely I will have maybe Jason jump in, and I'll tell you why. So, your reading is spot-on, Dave. So, transportation helps us. Eighty percent of our transportation costs, which are significant in the range of $60 million towards U.S. given the facts the U.S. does not have production source from different regions. Natuzzi Italia from Italy, and then branded business from Vietnam in addition from China, so quite long route. What we are seeing is definitely a significant decrease in freight surcharge, not yet at the level of pre-COVID, but significantly lower than what we've experimented in the most dramatic part of the industry last year, especially last year also this year when, you know, during Chinese New Year, the tariffs were reporting at all time records.

There we see long-term trends. On inland transportation, which again for U.S. is a bit of an issue. The fuel and other things are contributing not at the same sharp decrease. So, we are passing some of these, let's say, decrease across to our clients, but always in a very cautious manner not to jeopardize our marginality.

Having said that, given the fact that the U.S. is really central for this, maybe I will ask Jason, and if you allow me, Jason, maybe you can also share a bit how we deal with freight to Natuzzi Italia, as opposite for Natuzzi Editions and take it also from there.

Jason Camp

Sure, happy to. During the last year, we probably adjusted our landed pricing to our customers three to four times depending on the brand as freight was rising. And we're definitely seeing a strong downward trajectory, and together with our global freight team watching things carefully and adjusting our surcharges downward, as it seems prudent and keeping a careful eye on our competition, as well, as they make moves with their surcharges and landed pricing. So, it's a big focus of ours to make sure that we're protecting our marginality by staying competitive as well.

David Kanen

Okay. So, in other words, the reduction in transportation cost is persisting into the second half of the year. Now, when I look at, for example, commodity prices, many of the raw materials that go into your products, we're seeing them decrease now. I know that there is a lag between the price increases and the invoice sale and when we, through the P&L, start to realize the improved gross margins, but I see every indication that that's going to happen between Factory 4.0 reduction in raw material costs, you guys taking price increases, transportation being down, all of that points to better gross margins in the future. So, my question is, will we see that in the back half of the year start to see it, and then will it be better in 2023?

Antonio Achille

Let me start answering for what I have visibility on. As you know, Dave, we don't provide guidance, but let me try to be explicit to your question. In quarter three, we still benefit also because our price increase typically are embedded in the system. In March, April it will start being visible in terms of top line. So, the second half results don't yet include the impact of 2022 price increase for the business cycle of our order to revenue business that you mentioned.

That will happen. Transportation, I share the direction of the trend. In material, I keep reviewing that with our team. It's a bit of a mixed picture. There are some material which start decreasing, notably leather. Other like fabrics, they're not decreasing. Motion components (phon), they're not decreasing because, yes, there is less demand, but also those industries are quite energy intensive, and we all know the dynamics about energy these days.

Raw material, the picture is more the average. There are materials where there is less demand, and hence costs start normalizing, or they clearly invested in the decreasing trends, like leather, which is a byproduct of meat production. Fabrics, which again is quite relevantly related to our business. In other metallic parts, they're not decreasing, because of the cost of production for those materials suffer from higher energy cost.

David Kanen

Okay.

Antonio Achille

But David, sorry to—maybe it's a long story. Let me give you the short story. Clearly, the idea is to keep managing the Company for margin. I thought that's obvious. So, that's obvious.

David Kanen

Understood. And then a quick question for Jason, then I'll go back in queue. Can you give us an update on the North American branded product expansion, in particular, Italia, how we're doing? Any stores that have been opened subsequent to our last update, and what the next six to 12 months looks like?

Jason Camp

Happy to, Dave.

By the time 2022 ends, we will have opened seven stores, six of those Editions and one Italia. And then in the first half of '23 with signed leases, we'll open another five stores, all of which will be Italia. And so, that's maybe a quick summary of the openings ahead, and happy to kind of answer any more specific questions that come. Those six openings that will open in Italia will include locations like La Jolla in the suburbs of San Diego, Manhasset, Houston, west side of Atlanta. So, we're really excited to get this going.

David Kanen

I'm sorry, Jason, you partially broke up. So, tell me how many have you opened so far this year? And then the six new openings, when will they be complete?

Jason Camp

In total for 2022, we will open seven stores, six of those which are Natuzzi Editions, and one which will be Italia, that our first Italian opening will be right around December 1 of this year in La Jolla (phon) (audio interference). UTC. And then in the first half of next year, all the signed leases and design complete, we'll open five Italia stores in key markets around the country.

David Kanen

Understood. Thanks, guys.

Jason Camp

You bet.

Operator

Our next question is coming from George Melas-Kyriazi from MKH Management. Your line is now live.

George Melas-Kyriazi

Good morning, guys.

Antonio Achille

Hi, George.

George Melas-Kyriazi

Good morning.

Can you guys give us an update on the China JV? I don't recall whether you actually give information on the revenue of the JV, but maybe you can tell us—I think you have 25 DOS stores there, the rest are franchises. Help us remember how the JV is constituted, and maybe also what cash the JV has.

Antonio Achille

Okay. I will start but maybe I'll ask Piero. I know them by heart, but I want to be sure I quoted rightly, to pull out the information on the DOS and FOS on China. And also, if we disclosed it before also revenue in 2021. So, the JV, George, has been constituted at 49/51%, so, we don't consolidate line by line. We just get benefit of it historically in two ways. And now, I mentioned a third way, we are implementing this year. The two ways is the selling margin. So, the JV source products from us, and as any third party it pays our industrial cost to pass the margin. And that's the first way we get benefits from it.

The second one way is dividend. So, every year, the JV distributes dividend, and 49% of that goes to Natuzzi. And those are the historical avenues that were used to distribute daily to Natuzzi.

We discussed and agreed with the Board a third way, which is distributing some cash that is sitting in the JV which is not needed for sustaining this business in the form of capital reduction, that's been approved is, on their way in terms of execution. We're all working to make it happen within this year.

I will disclose the amount that get, let's say, finalized, but that is something which has been agreed by the Board of Directors of the JV, based on my proposal to do some capital reductions. Those are the more short-term, let's say, ways. Mid-term as discussed, I believe, the JV is quite interesting in terms of growth and we'd be clear not to comment, because it's been almost doubling business every year. So, there might be some long-term, let's say, options. to get full benefit of our participation.

I'm looking forward to be able to travel there, because I believe that those are easy to be discussed with our partner KUKA in-person, but we already mentioned potential option, including separated IPO of the entity, but there is no plan for that yet. So, I think you should not take that into account as something already happening, but that's just to share my view.

Piero, if you can share the stores. And remind me, if we disclosed the revenues well in the past; if so, please do it again now in this call, 2021 revenue.

Piero Direnzo

Okay. Antonio, we generally disclose once a year within the 20-F. I mean, I'm talking about the revenue over the JV, because they are listed as well. And as for the number of stores, as of June, we have—in China, we have 378 stores, and of which 25 are directly operated by the JV itself and 353 are FOS. The Bulk of the stores are Natuzzi Edition stores versus Natuzzi Italia.

Antonio Achille

Can you remind, once I can pull it out, but can you remind that we closed 2021 in the 20-F?

Piero Direnzo

Yes. In terms of revenue, we read the revenue of the JV were €96.3 million in 2021, and during the prior year, revenue was €62 million.

Antonio Achille

So, 50% more. This year, as you know, China is the last big continent still affected by COVID, so, we had until May, 18 stores that were closed. Now stores are open, but the COVID-related procedure are not really encouraging for shopping in the sense that, to my latest information available, if a case of COVID was reported in a specific department store, all people entering this department store in the day will have need to quarantine. That, of course, does not create a strong excitement to be in the department store.

That is something which is still affecting our traffic in the store.

This year, those we opened, I believe 38 stores in China, no, Piero?

Piero Direnzo

Correct. 38 stores during the first six months of the year.

Antonio Achille

FOS in the first six months, we opened 38 new stores. So, even in these, let's say, circumstances, which are not really favorable, still our active progression in China is continuing.

Pasquale Natuzzi

Antonio, I'm here.

Antonio Achille

Hi, Pasquale. Welcome. We mentioned you were in a client call.

Pasquale Natuzzi

I'm sorry, I mean, for being late, but I had a call with the Chairman of the Company where we are trying to do business with.

Antonio Achille

Fantastic. We were just commenting—we just shared a bit of status of the art, and now we're getting questions from our investors.

Pasquale Natuzzi

Okay.

George Melas-Kyriazi

And also, maybe, Antonio, remind us how much cash there is in the JV? And of course, 49% of that really is yours?

Antonio Achille

Yes. It is in the range of $60 million, but again, Piero, if you can help me to be honest under the figure.

Piero Direnzo

Yes, I can. It was—okay, the JV had €62 million roughly at the end of 2021 versus €43 million at the end of 2020.

Antonio Achille

Going back to my initial point, George, and thank you for pointing to that, that's clearly, I believe, one of the early investors pointed out that we are trading almost at the parity with our cash, and that without calculating what is the share, which is 49% of those €60 million. As I mentioned, eventually, which I believe is a significant progression—or progress, we agreed with the Board of Director of the JV for this year, first capital reduction, because the nature of the business in China, which is based on retail, but most in the form of franchising, does not require significant direct investment.

The cash sitting in the JV, even considering the volatile environment in China, is something (inaudible) need. And we mutually agreed with the Board to do a capital reduction that we are targeting to achieve by this year.

George Melas-Kyriazi

Very good. Thank you.

Antonio Achille

Thank you, George.

Operator

Thank you. Our next question as a follow-up from David Kanen from Kanen Wealth Management. Your line is now live.

David Kanen

Yes. Can you give us an update on your High Point property, I believe it was up on the market for sale. Have you been able to consummate a sale leaseback?

Antonio Achille

Thank you for the question, Dave.

You are absolutely right. We are working to complete the potential transaction. We are entering in the final round of discussion with potential investors based, as you rightly mentioned, on our sales leaseback frame (phon). I'm not able at this time to disclose much more than that, because discussion is ongoing as we speak. We're working and we hope that in the follow-up quarter calls we can announce a positive outcome. That is part of our strategy to focus on the investment that makes a difference from the long-term, which are our restructuring plans, accelerating the Factory 4.0, in our retail development.

So, the plan of doing this dismissal of non-strategic asset, the largest being High Point (phon) continues. There are other tactical assets that we might look at selling, including some production unit that we have in Italy which are not strategic. But of course, we are very careful to put those assets in the market in a moment where the market is clearly not in a buying mood.

David Kanen

Okay. Thank you. I've got another follow-up. I'm sorry. Just again, to me the sort of the bright spot or silver lining here is the reduction in operating expenses as a percent of revenue, because if I model going forward, if you would have had a 35% gross margin, we would have made like $5 million for the quarter. Okay.

My question is, aside from the transportation cost, which we know continues to come down, was there anything anomalous in the Opex that benefited the quarter that we would not expect going forward?

Antonio Achille

You mean just in Opex? So, in Opex, we have, let’s say, three main items. One is the transportation we commented before where the picture seems to be starting a more positive trajectory. The second is material where we discussed here the trend is not homogeneous. On some material like wet blue leather, we see decreasing cost; on some other materials like fabric emulsion (phon), whose production is high energy consumption, we don't see a homogenous trend.

The third, let's say, element is our transformation cost, that I don't know if you mentioned or not, but that is an important element we're working on. We're working on in two major ways. One is to have an optimal industrial production location. As you know, we have multiple sites, which include directly operated sites Italy, Romania, China, and Brazil, and outsourcing, the largest one being Vietnam and starting in Mexico, but also Portugal EMEA.

The first strategic decision is reconfirming the location among those industrial platforms. And that is based on multiple factors, which include the transformation cost, the tariff, and the production cost. The second big levers, which is more controllable, is the production cost, the transformation cost in our own factory. You are aware of the Factory 4.0 project I discussed before in Italy, which is delivering interesting results and is becoming the standard for all factories.

We're also looking a way to accelerate the transformation, especially for Italy where we produce Natuzzi Italia and Divani&Divani, the sub brand of Natuzzi Editions for Italy. Yes, we still employ 1,400 people and we're carefully looking at a way to accelerate restructuring, still being compliant with all the agreement that's been taken by the Company with trade unions and the public minister, which are important stakeholder in the local work environment.

Long story to say transformation is also an important part of that and we're working to make better industrial strategic sourcing decision and to continue lowering our transformation costs, especially in Italy.

David Kanen

Okay. Thank you, guys.

Jason Camp

(Multiple speakers).

David Kanen

I'm sorry.

Jason Camp

No, it's just, right, to summarize Dave's question. I think cost came down—operating cost came down about 400 basis points year over year, and I think maybe in summary, his question is, is that the new baseline for our costs, or was there kind of some one-time benefit that we can't count on, on an ongoing basis?

Antonio Achille

Jason, since you rephrased it, you are very free to answer that question.

Jason Camp

Well, honestly, at a global level, I'm not sure I have enough visibility to answer it, but that, obviously, it was great news for everyone to see those costs come down year over year like that.

Antonio Achille

As I said, Dave, it’s a complex equation because there are conflicting forces. So, transportation we discussed, it seemed pretty much taking a direction. It was clearly speculative bubbles, and as demand is decreasing, that is decreasing, especially for shipping. For inland transportation where the fuel has a higher relevance the trend is less sharp. When we come to material, they are conflicting forces, I believe, I already answered to that. Is the sense that, in general, for the supplier to serve durables like furniture or the car industry, the demand is less stronger than 2021.

It’s providing, let's say, a benefit in terms of potential reduction in cost; but at the same time, some of these producers like fabric producers or motion part producers, they intentionally use energy in their production process. And as you know, energy has hit at a record high. So, the net effect, I've been reviewing the cost of trend with our purchasing team this morning, there is diverging trends. Wet blue leather, where the energy consumption is lower, is reporting a decrease. And wet blue leather alone represents 25% of our cost structure.

On fabric, the trend is opposite, because fabric is a more industrial process, so there is a moderate increase. So, I've been also changing view with some of my peers, CEO of industrial company, and they also are witnessing the same reality. So, there's no single answer. Their answer is, it depends, which means it depends on the specific material and it depends on where you source it and it depends on the timing of your question, because out there is very much still a volatile market when it comes to energy cost and raw material cost.

David Kanen

Okay. Thank you, guys. Good luck in the back half of the year.

Antonio Achille

No, the things—so, we don't want to project any false reassurance on this, because we are just taking what the market is delivering on the materials. What I can assure you is that we are working to have a better control of the dynamics of those costs and how they impact our final unit cost. For instance, we just launched an internal project with our IT department as part of the broader digital transformation to immediately recalculate the unit cost of a specific product based on the latest information on the raw material dynamics, so that in the pricing or in the margin calculation we don't use any more standard cost, which in a more stable world were somehow useful to take this kind of decision during the year, but we are trying to use punctual information or real cost for individual product to take any pricing or margin decision.

Operator

Thank you. We do have a follow-up from George Melas-Kyriazi from MKH Management. Your line is now live.

George Melas-Kyriazi

Great. Thanks.

Antonio, I think that you unveiled a new store concept in Milan a few months ago. Can you tell us a little bit about it and maybe what's the reception that you've had, and also what would be the plan to propagate that store concept?

Maybe, sort of, first of all, what you learned and how you think that's going to impact other stores? How are you going to roll-out the lessons that you've learned?

Antonio Achille

Thank you, George.

About the new store concept, for those which were not able to see it in a design week, Milan, is concept for Natuzzi Italia, our ambassador brand, which is intended to be propagating the DNA of the brand. As you know, the brand that speaks about Italy and especially speaks about our reality of Apulia, which is a magic region, and we try to convey that magic in the product and the retail experience.

The concept is about light colors, about resonance with our territory. That, George, is becoming—is the standard for any new opening. And in fact, in China, the store that we mentioned before, the store for

Natuzzi Italia have been opened for—with the new concept was the new store for Natuzzi Italia that would be open in U.S., would be open with new concepts. So that is the image and the feeling of the customer globally will get from Natuzzi Italia, which is a global brand. This question, allow me also to make a very transparent way another element.

As you know, Natuzzi has heavily invested to become a brand and a retailer; the two things goes hand in hand. We are still way—let's say, still with a lot of improvement on both areas. And we are realizing that retail experience is very important, is of paramount importance. And retail experience is, of course, made of the infrastructure, which is the store that I mentioned before, but is made of a lot of other details that we are learning across geographies and we are trying to standardize in a blueprint that can become the standard, not only for our U.S., but also for our franchising partner, which is still and will remain predominant of our distribution.

Here, I'm talking about the way in which the product is shown, the merchandising, the visual merchandising, all the clienteling that’s happening in the store. I've been working with a company that take decades to learn the job. We aspire to go through a faster cycle, but we are very transparent that we still have a lot of hard work to do in that direction.

George Melas-Kyriazi

Great. Okay. Very helpful. Thank you.

Antonio Achille

Again, just to be factual—and again, we will talk a bit—if you don't ask me, I will do about the business trajectory, but if I look for instance at U.S. retail, where U.S. has been in this quarter, a market which is softer, especially I will say side (phon), if you look at the performance up to date, retail on Natuzzi Italia is up 60% versus 2019, I'm talking like for like. And it's also up, again, if I look at year to date, it's also up versus 2021.

There is a lot of work to be done, especially in Europe, and also in the U.S., but those figures confirm to us that Natuzzi has the legitimacy to run retail.

Operator

Thank you. If there are no further questions at this time. I'd like to turn the floor back over for any further or closing comments.

Antonio Achille

Gentlemen and ladies, thank you for your attention. In closing, I might remind you a bit what has been the theme of today. So, we are closing a quarter nicely in terms of growth. And also, we are satisfied by seeing that this is the sixth consecutive quarter that we closed with positive results, notwithstanding the issue we reported in China, which created some shortfall in production.

We feel that our cash position of roughly $60 million in the SPA, plus the one we own in China, is a good platform to sustain diverse headwinds of this day. In the same times, we've been transparent that Natuzzi as other players in furniture has been reporting since, I will say, late April, a softening in the demand. This is for the reason that you know about the economy cooling down because of multiple factors.

We of course are taking this very seriously and reacting at least with four major interventions. The first is about commercial focus. We are staying closer than ever to our clients. And when I say we, means the full organization, starting from the Chairman, down to the last regional manager. We are reviewing the organization where it makes sense to review the organization. We are taking any single opportunity like the upcoming High Point market to show what are the latest innovations in our retail and product offering.

Commercial focus is very important to us. We're also launching new growth opportunity, just to name one trade. It is the business we do with, let's say, in our store, that we do with our architect and designer is an important component in some stores, not so important in others. We just hired a senior manager to support creating a common methodology in accelerated part of the business, and I can mention other initiatives here to support the growth, like the JV in Vietnam.

Two major actions on growth and top line, equally important direction on our cost structure. We keep a very high attention (phon) on margin. As I believe you captured from the discussion on the cost of material and transformation, margin is not something we can take for granted. It's a continued fight against external elements, like the cost of material, and against internal elements, which is our unit per minute production. So, we need to stay very focused on margin and that is the third point.

The fourth point is accelerating restructuring. We have several workstreams to optimize our internal cost, and those have been always there, but we're looking at those elements with an appetite to do more, short term. The last point, which someone touched upon with FX and other dynamics, we keep monitoring very closely our financial and our cash position.

We believe that this is turbulent time, is very assuring for us as managers and I believe as shareholder to know that we are using the lens of cash to prioritize any decision we do in running the business.

That was my final comment. I don't know if Pasquale, Jason, Piero, you have any final comment; otherwise, I can thank the audience for their patience this morning.

Pasquale Natuzzi

Antonio, you did a good job. Thank you very much. Very clear.

Jason Camp

Thank you so much, everyone.

Piero Direnzo

Thank you so much, everyone. This concludes the conference call today.

And please contact us for any request you might have. Thank you again for joining, and have a nice day.

Operator

You may now disconnect.

Antonio Achille

Thank you so much. Again, bye-bye.