SPAR - Spartan Motors
Q1 2018 Earnings Conference Call
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Company Representatives:
Juris Pagrabs, Group Treasurer & Director of Investor Relations
Daryl Adams, President & Chief Executive Officer

Analysts:
Steven Dyer, Craig-Hallum
Matt Koranda, Roth Capital
Michael Shlisky, Seaport Global
Stephen O'Hara, Sidoti & Company

Presentation

Operator: Good morning, and welcome to the Spartan Motors First Quarter 2018 Earnings Results Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note that this event is being recorded.

I would now like to turn the conference over to Juris Pagrabs. Please go ahead, sir.

Juris Pagrabs: Hey, good morning, everyone, and welcome to the Spartan Motors 2018 First Quarter Earnings Call. I'm Juris Pagrabs and joining me on the call today is Daryl Adams, our President and Chief Executive Officer. Rick Sohm, our CFO, is unavailable this morning.

For our call this morning, we've included a presentation deck which will be filed with the SEC and is also available on our website at spartanmotors.com. You may download the deck from the Investor Relations section of our website to follow along with our presentation during the call.

Before we start the call, please turn to Slide 2 of the presentation for our Safe Harbor statement. You should be aware that certain statements made during today's conference call, which may include management's current outlook, viewpoint, predictions and projections regarding Spartan Motors and its operations, may be considered forward-looking statements under the Private Securities Litigation Reform Act of 1995.

I caution you that, as with any prediction or projection, there are a number of factors that could cause Spartan's actual results to differ materially from projections. All known risks that management believes could materially effect the results are identified in our forms 10-K and 10-Q filed with the SEC. However, there may be other risks that we cannot anticipate.

Please turn to Slide 3. As of January 1, 2017, the company adopted the new revenue recognition standard, ASC 606, using the modified retrospective transition method. Overall, the adoption had minimal impact to the net income in Q1. As a result, reported sales were $6.4 million lower and reported cost of products sold were lower by $6.8 million. Net income as reported net of tax was about $300,000 higher. Going forward, we do not expect a material impact from adopting this revenue recognition standard. For more details regarding ASC 606 and its impact on the company's financial results, please refer to the company's quarterly report on form 10-Q for the quarter ended March 31, 2018.

On the call today, we plan to provide an overview of the first quarter results, a brief business update and our outlook for the remainder of the year before proceeding to the question-and-answer portion of the call.

At this time, I'm pleased to turn the call over to our CEO, Daryl Adams, for his opening remarks, which begin on Slide 4.

Daryl Adams: Thank you, Juris. Good morning, everyone. Thank you for joining us on our first quarterly conference call. Excuse me. Very pleased to report another solid quarter of growth and profit improvement for Spartan Motors, which did meet our internal expectations.

Revenues for the quarter rose 4% to $173 million from $167 million a year ago, although included in the prior years sales is $15.1 million of revenue that resulted from the timing of revenue relating to the Smeal acquisition. Excluding these sales, revenues increased approximately 14% over the prior year. This increase in sales was driven by strong performances from all of our business segments, led by luxury motor coach chassis sales, improved MECS and higher volumes at our upfit centers.

For the first quarter of 2018, we reported net income of $4.2 million or $0.12 per share compared to a loss of $1.1 million or $0.03 per share last year. That's a net income increase of 482% year-over-year, and a per-share increase of 500%.

Gross profit margin improved 300 basis points to 12.8% of sales from 9.8% of sales, which reflects higher luxury motor coach volume, improved ER pricing, increased upfit volume and continued operational improvements.

Our solid performance during the quarter was driven by the strength of our team and the process we've put in place over the last 2 years, as well as the investment we've made to drive operational improvement and profitability throughout our facilities. We've also benefited from the initiatives we put in place to grow our business. New business wins like the USPS contract, innovative products in both luxury motor coach and ER and new markets like our entry into the smaller luxury motor coach chassis are all driving growth for Spartan.

Now, turning to Slide 5 for an update on a few business highlights and developments. We have good reason to be excited about each of our business segments as we hit the ground running in 2018.

In the FVS segment, the biggest news from last year was the USPS contract, so I'll start with an update on that business. During the quarter, we completed first article inspection and validated the build specifications with the USPS team. We started installing assembly equipment, began hiring and training personnel and produced several units in April. We are on target to meet our launch curve and scheduled production for the rest of the year.

We began production on a number of additional walk-in van fleet orders in 2018 with 3 major customers, which in aggregate total over 2900 vehicles. That's including 1400 additional Reach units. We continue to invest in new products/technologies to drive future growth in FVS.

In the quarter, we made additional investment in our relationship with Motiv Power Systems and signed an exclusive supplier agreement with Motiv to provide EV technology in our walk-in vans from Classes 4 through 6. During the quarter, we also completed delivery of 20 AmeriPride walk-in vans powered by the Motiv EV technology. Initial customer reports are very encouraging. The vehicles are running incident free, and we are optimistic about receiving additional orders.

Another key area of growth has been in the integration of refrigeration in the last mile vehicles to support the growing market of home delivery of fresh produce. During the quarter, we expanded our refrigeration capability in Kansas City to support the Ford Transit Platform and accepted our first 20-unit refrigeration order by a major food distributor.

Please turn to Slide 6, and I'll continue with ER and SCV. Turning to ER, our ER business, we saw another successful quarter of profitability. The operational changes we've implemented have resulted in continued improvements in productivity, efficiency, quality and profitability in our facilities. With these improvements in the ER, we've seen an uptick in new business, including new orders from Austin, arguably the most progressive city in Texas, and Riverside, California.

We continue to lead the industry and invest in new safety innovations and technologies. Our Advanced Protection System, or APS, which includes industry-leading airbags, rollover stability, smart belts, 360° camera and outboard sensors is a key vehicle differentiator.

Another key differentiator of our vehicles is our chassis. Spartan offers the most reliable, durable and agile chassis in the industry, and we're working to make them even better. The new Spartan 35K weight-rated axle is the foundation for vehicles requiring greater carrying capacity while maintaining single-axle performance and maneuverability. We expect the new 35K axle to be available this fall.

Turning to SCV, we saw continued momentum across the luxury motor coach segment. We saw the strength in the North American RV market continue as we worked to gain share in the luxury motor coach chassis market with new, innovative products and features.

During the quarter, we launched a number of new technologies on the Entegra coach chassis, including the new Connected Coach. The new high-resolution digital dash display makes it easier for users to operate and integrate several automotive features like adjustable speed settings and an adaptive cruise control, integrated collision mitigation -- excuse me -- and tire pressure monitoring for all coach tires. In addition, we integrated keyless entry and pushbutton start on the coach's key fob.

In January, we introduced a new K1 chassis on the 2019 Jayco Embark, our first entry into the under 40-foot luxury motor coach space. This is an exciting opportunity, and it expands Spartan's addressable market into an area that is most popular among younger RV buyers.

With that, let's turn to Slide 8 to discuss Spartan's financial results for the first quarter as well as our outlook for 2018.

As I mentioned earlier, the operational improvements we've made over the past 2 years have provided the foundation that will continue to drive our profitable long-term growth. The first quarter adjusted EBITDA increased 33.8% to $5.6 million from $4.2 million. Adjusted EBITDA margin improved 70 basis points to 3.2% of sales from 2.5% of sales a year ago.

Adjusted net income increased 158.3% to $3.3 million from $1.3 million in the first quarter of 2017, while adjusted EPS more than doubled to $0.09 from $0.04. The strong growth in adjusted net income reflects the solid operational performance at all 3 segments.

Results of the quarter included a $1.4 million, or $0.04 per share, tax benefit related to the appreciation in value of stock compensation that vested during the quarter. As a result, the effective tax rate for 2018 is expected to be approximately 23%, down from 28%.

Our backlog at March 31, 2018 remains strong and ended at $554.6 million, up a solid 57.9% from $351.3 million at March 31, 2017 and reflects the continued momentum in all segments and the previously announced USPS order.

Now, let's take a look at the results by operating segment starting with the FVS segment. FVS reported revenue -- I'm sorry. On Slide 9, if you would. FVS reported revenue of $59.7 million compared to $53.9 million last year, an increase of 10.7%. Revenue increase reflects improved sales mix and higher Reach and upfit volumes.

As expected, our adjusted EBITDA declined $1.7 million to $4.6 million from $6.2 million a year ago, largely due to the startup costs associated with the new USPS truck plant in Ephrata, Pennsylvania and unfavorable product mix.

EBITDA margins decreased 390 basis points to 7.7% from 11.6% a year ago, which reflects approximately $700,000 in startup costs for the new USPS truck body plant I mentioned earlier and unfavorable mix I also mentioned earlier.

Backlog remains strong at $335 million compared to $114 million at March 31, 2017. Backlog for the first quarter of 2018 includes the impact of the $214 million USPS order.

Moving on to Slide 10, in the ER segment, first quarter 2018 revenue fell to $66.7 million from $80.2 million last year. As I mentioned earlier, included in the prior year's sales is $15.1 million of revenue that resulted from the timing of revenue relating to the Smeal acquisition. Excluding these sales, revenue increased $1.6 million or 2.5% over the prior year, reflecting increased production in complete fire apparatus and custom cab and chassis offset by our fewer aerial units as we continue to further our product optimization efforts and consolidate our dealer network.

Adjusted EBITDA in the first quarter improved $2.6 million to $1.2 million, or 1.9% of sales, from a loss of $1.3 million or 1.7% of sales in the prior year. This improvement in adjusted EBITDA reflects improved pricing and productivity. Our year backlog remains strong at $190 million, compared to $214 million at March 31, 2017, which reflects timing and revenue from the Smeal acquisition.

Let's move on to Slide 11 and the SCV segment. Revenue was up 46.4% to $48.2 million from $33.0 million, due mainly to a $13.5 million increase in luxury motor coach chassis sales driven by new products and increased market share.

Adjusted EBITDA more than doubled to $3.1 million from adjusted EBITDA of $1.5 million a year ago, driven by increased sales volume and improved operational performance. Backlog at the end of the quarter was up 30% to $30 million compared to $23 million a year ago, reflecting stronger luxury motor coach orders.

Turning to our balance sheet on Slide 12, the firm's balance sheet remains strong. Total liquidity at the end of the quarter was $107 million, reflecting $30 million in cash and $77 million of borrowing capacity, which is more than adequate to support our working capital requirements, our effort of build out and M&A activity.

On the balance sheet, you'll see a new line item identified as contract assets, which is the result of adopting the new revenue recognition accounting standard Juris mentioned earlier. This represents revenue with a corresponding profit recognized on WIP, but not yet invoiced to the customer.

Please turn to Slide 13. We'll discuss our outlook for the remainder of 2018. Looking ahead to the remainder of the year, the company reaffirms its previous revenue and adjusted EBITDA guidance as it expects to generate modest top line growth and continued year-over-year operational improvements.

Adjusting for the tax benefit I mentioned earlier, the 2018 outlook is now expected to be as follows: revenue to be in the range of $790 million to $815 million, unchanged; net income of $20.2 million to $22.4 million, up from previous guidance of $18.8 million to $21.0 million; adjusted EBITDA of $39.0 million to $42.0 million, unchanged; effective tax rate of approximately 23%, down from previous guidance of 28%; earnings per share of $0.58 to $0.64, up from previous guidance of $0.54 to $0.60, assuming approximately 35.3 million shares outstanding; and adjusted earnings per share of $0.60 to $0.66, up from previous guidance of $0.56 to $0.62.

Please turn to Slide 14 for my closing remarks. As we continue the strong momentum from 2017 in our first quarter results, we are proud of the performance improvements achieved by our team, our ability to deliver on our promise of continued profitable growth as well as the technology innovations that drive value for customers, which will enable us to deliver on our 2020 objectives and increase shareholder value.

Operator, we are now ready to take questions.

Questions and Answers

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And this morning's first question will come from Steve Dyer from Craig-Hallum.

Steve Dyer: I guess I'll start in FVS. Backlog up there really nicely, obviously, year-over-year with the Postal Service in there, but also significantly quarter-over-quarter. You talked about, I think, 2900 units of new wins. Can you give us any color there are around is that spread over a bunch of customers, is that a few big ones and maybe any indication on the types of orders, whether it's step-in or [bobbies] or what have you?

Daryl Adams: Sure, Steve. It's 3 customers, mainly traditional customers, and I think the significance of our mention to that is that a few years ago, 1 of those customers, we basically had 0 units, and now, as we continue to show improvements in our delivery, our quality and delivery times, so not just on time delivery, but the length to deliver, we've significantly won that business back. And it's north of 1000 units, which is exciting to us. So there's 3 big orders. If you want to, you can split it 2900 by 3. That's approximately what it would come out to be.

Steve Dyer: Great. That's helpful. And then as it relates to refrigeration, I guess I haven't heard that talked about a lot. That would seem to be an interesting driver to the business potentially just given the move towards fresh food and localization, etc. How do you sort of think about that business as a growth driver over the course of the next 3 or 4 years?

Daryl Adams: Obviously, another good question, and I wish we could put some additional color around it. I think it's going to depend on the consumer and how much do they really drive the need. Amazon bought some food product companies. I think others are getting into it. In the Detroit area, where I live, Kroger is starting to deliver now. So it depends on if they're going to take multiple orders or if they're going to run single orders. So I think it needs to play out a little bit, but as we typically do here at Spartan is we want to make sure we're prepared to take advantage of it and have -- very similar to the EV, right, I think we're -- we might be early into it, but we want to be ready and solidified with being able to build production with it at our Kansas City plant. Transit van, that fits right in our upfit.

Steve Dyer: Yes. Okay. And then with respect to margins in that segment, assuming this quarter was sort of the low watermark with the effort to ramp up against really no revenue, should that -- is that a fair assessment? Should that continue to get better as the year goes on?

Daryl Adams: Yes. We see it getting better as it improves. Obviously, we took a lot of chassis right now without any sales, building them through, so we'll see that improve through the second and third quarter, obviously, through the rest of the contract over the 18 months.

Steve Dyer: Got it. Okay. And then just one question I guess if I could on ER. You know that business has been down sort of over the last year or so and backlogs fell down. I know it's a lumpy business, but anything necessarily going on there from a bigger picture perspective that we should know about or any color around timing, etc.? Thanks.

Daryl Adams: You're welcome. Can I -- Steve, I'd like to go back to your previous question, first, USPS. I think the important part, right? You can see how our operational improvements are hitting at other plants. We're putting most of those standards into that USPS facility, but I think the key there is, as I mentioned, it should get better throughout the life of the contract because we will continue to ring out the operational opportunities. On the ER, so I think, as we mentioned back in probably 2015/16, that we're only taking profitable orders. So we'll get into some competitive ordering, right, or negotiations with customers, and we're prepared to walk away. And I think that's what's different between our ER division and some others that you may compare to. And year-over-year, we're up about $1.6 million because of that $15.1 million of Smeal that you have to take the math and look at it that way, so that's some of the acquisition accounting. And so that's the pricing side. On the product side, right, we're rationalizing our products. We told people we were closing our aerial plant in Ephrata, Pennsylvania. That's where the USPS truck body's at. And we have to get some of our dealers on board, right, and train them with the Smeal aerial. It's going to take a little bit of time, but for us, it's a long term decision, and we feel it's the right decision. Those products from the Smeal aerial are profitable, more profitable than ours as we mentioned previously. So we don't see any issue here with our ER vision. We see more opportunity in taking out cost, and we're only going to continue to bring in profitable orders that some others may not do, but that's just how we look at the business.

Operator: And the next question comes from Matt Koranda with Roth Capital.

Matt Koranda: Just following up on the emergency response segment question. You mentioned walking away from certain business that may not be sort of meeting your hurdle rates. I guess my overall question would be then, is the quotation environment still rational with some other large players potentially hungry to build backlog? And then I guess as kind of you take out costs and improve operations throughout this year in that business, does that sort of open up more opportunities for you guys to be more aggressive on quotations?

Daryl Adams: Matt, very good comment, very good insight. And as you were walking through your question, I was thinking, I probably should've told that to Steve. As we continue to take out operational efficiencies in the plant, we will become more competitive in the environment. So as we continue to be more profitable there, our efficiency goes up, we will be able to be more competitive and win some more business and, obviously, backlog should then increase.

Matt Koranda: Got it. And then just in terms of the overall quotation environment, do you see sort of the competitive environment as rational still?

Daryl Adams: Yes. No, I think it is. If you listen to some of the other earnings calls, we're not the only one taking pricing, and we believe that it's rational between the other big guys.

Matt Koranda: Okay. Got it. And then just staying on that segment, in terms of backlog, I know it shrunk a little bit, but could you talk about the mix in backlog just in terms of aerial product and the pricing that's embedded in that backlog that exists now?

Daryl Adams: Yes. See, we don't break that down, and, actually, I don't even have that in front of me. If I did, I would probably give it to you because that's more of what Rick would usually talk about, but we don't break it out that way. So I guess that's probably the answer.

Juris Pagrabs: Yes. We actually don't.

Daryl Adams: Yes.

Matt Koranda: All right. Fair enough, guys. That's fine. Just in FVS, I guess in terms of building inventory, because you guys are buying the cab and chassis and you have a pass-through arrangement with the USPS contract, I guess the inventory build seemed a little lighter than I would've expected this quarter. I know you'd mentioned sort of the ramp-up is still intact. Is it just a function of timing of when you order cab and chassis for kind of the bulk of the ramp-up activity? Could you talk a little bit about the working capital build, I guess, into Q2 as well?

Daryl Adams: Yes. So I'll take the first part of that, and maybe let Juris handle the second or Susan. So I think the ordering of the chassis, obviously, we're learning from what we do down at Bristol every day, and we're taking a lot of that lessons learned. We had some really good meetings with the chassis supplier when we needed them, and they were very agreeable to the schedule so that we didn't have to have them sitting on our lots. So we've actually delayed that a little bit or smoothed it out, if you will, to have a less of a backlog of chassis on our property than we expected earlier.

Juris Pagrabs: And as far as first quarter goes, Matt, we only took a few chassis, and we've started building really in April. And as Daryl indicated, we literally just put out first units during April, so we'll start seeing it build here over the next couple months. I think our peak period will be July-ish in terms of cash flow needs, and then from there as we start turning those units, the counts will start building back up.

Matt Koranda: How quickly do those units turn? Could you just kind of help us understand conceptually? Like I mean, you're outlaying cash to buy the cab and chassis, bring it into the plant, the build time is what and then before -- how long until you collect on the cash with those units?

Daryl Adams: So we don't really disclose the turns of those, but I can tell you that they're better than normal 30-day turns.

Matt Koranda: Okay. That's helpful, guys. Thank you for that. And then just lastly I noticed you mentioned good upfit volume in FVS. Just wanted to see, is that related to -- I mean, in prior years, I think, not in 2017 but in 2016, you had a pretty decent upfit order that did not recur in 2017. Is that the same customer or is it something new or different and spread out between different customers?

Daryl Adams: I think it's fair to say it's a similar customer.

Operator: And the next question comes from Mike Shlisky from Seaport Global.

Micheal Shlisky: So I'm a little surprised you were able to kind of maintain guidance here even though the prices of some raw materials are pretty elevated here. Could you guys provide a little more color on kind of how you're managing through the high raw material environment? I presume you pass along most of it to the customer. And was there any -- were there any changes in order patterns this quarter? Has anyone told you they want to hold off until perhaps steel or other metals prices come down a bit here?

Daryl Adams: Sure. Onto your second part of that first. The answer is no. We've not seen anybody calling us asking to hold off on builds due to the pricing. To go to your first part of your question, Mike, I think we were fortunate is that we already had, I mentioned, our new purchasing person we had hired back in late '16. Since then, we've been able to get some longer-term contracts and set up agreements with the processors of our product. Most of our stuff is aluminum, and we were able to have these long-term contracts. The other thing, I think, that's important is that the operational improvements, right, that we've been continuing to bring to each of our plants have helped offset some of that, but I think the other piece is we've been taking pricing each year. ER is probably the biggest consumer of aluminum, and we've been taking pricing since back in 2015, and that has helped us. And I think, as we mentioned earlier, we just took another price increase in January of this year on ER. So some of the pricing actions, the operational improvements, we've been able to hold our guidance without seeing a big impact on the material. And actually, we're tracking it every week and we just -- I think this week it came down a little bit from the high of last week, so we're optimistic that we can continue to, if it holds at this level, meet our guidance.

Micheal Shlisky: Got it. Thanks. I also wanted to ask about the new EV platform. Heard you got a decent -sized, small shipment in the quarter. Were there any larger orders or quotes that you were kind of getting over the last few months since you announced the deal? Anything larger coming through the pipeline, do you think, over the rest of the year?

Daryl Adams: There is. We don't like to talk too far -- too much about quoting, but I think, in the script, we mentioned the activity. We have seen that go up. It's going up because we haven't had it before, so as we continue to get the EV products out there, and Motiv is a good name. And the reason we like Motiv, I think I mentioned before, is in EV, we used to say, we want to remain agnostic and not pick one player. The reason we did pick Motiv is because they have a number of different motor options that are already calibrated with their system and a number of battery options calibrated with their system. A lot of the other EV players have only one motor and one battery that they can use, and that was our heartburn in the past. So Motiv answered that for us, and that's why we did the partnership.

Micheal Shlisky: Okay. And back to the FVS USPS business, can you give us a sense of the cadence of the margin kind of going forward? Is Q2 going to be a tougher quarter for margin? Is it still facing some high ramp-up costs or are you going to kind of be back on the horse of operating margin expansion over the prior year for the rest of 2018?

Daryl Adams: I'll let Juris handle that.

Juris Pagrabs: Yes. You're right, Mike. We do expect some margin expansion starting in Q2 in FVS as we go through those upfront build out costs and production gets to be more normalized versus startup.

Micheal Shlisky: Okay. One last one from me. From a personnel standpoint, especially in Pennsylvania, do you feel ready to kind of build the current backlog or do you have more hires to make at this point in time?

Daryl Adams: No. We actually talked about this yesterday at our board meeting. We are between 80% and 90% staffed, and we feel positive. If we need the other 10%, we go get them, but, obviously, we're going to try to hold operation guys to a lower number and improve the efficiencies in that plant.

Operator: And the next question comes from Steve O'Hara with Sidoti & Company.

Stephen O'Hara: Just going back to the comment about walking away from unprofitable business, can you just talk about how much of the business that you're walking away from you feel is unprofitable right now versus -- where your current cost structure is versus where maybe you think you can get it to and how much is kind of unprofitable or maybe undesirable at any level? And then -- I don't know if I missed it -- but where you are kind of in the process, maybe what inning you're in, in the process of the ER cost structure improvement. Thank you.

Daryl Adams: All right. You're welcome. The second part of your question is a new one. We've thought about the entire company on what inning we're in. Let's go back to your first question, right? All along since 2015, we've talked about we have to -- our first focal point, number one, is to make sure we can get ER to be profitable. 1%, 1.5%, it's profitable, but it's not where we want it to be, so we need to continue along the same path. It's been 3 quarters now and 3.2 [create a] trend, but the margin is continuing to improve, so as we continue to take out operational inefficiencies, improve quality, continue to reduce our warranty costs, we obviously become more competitive in these tight-quote markets. But right now, Steve, we still need to make sure we focus on staying profitable and continuing to fix ER because that's the first focal point we had coming out of '15, and 1.5% is not where we want it to be.

Stephen O'Hara: Okay. And do you -- is there a danger, at some point, that if you're walking away from business that is unprofitable, that may be profitable in the future as you improve the cost structure, that you will potentially lose either the ability to go after that business in the future or is it kind of an open bidding process where you can go after it no matter what, even if you've turned it down in the past?

Daryl Adams: Yes. Very good question. It is an open bid. As we continue to bring in new technologies, we can spec those in. And it is a relationship business, but our dealers, we continue to grow our dealer base in the right states and rationalize the ones that are underperforming. And it's interesting because, as we continue to improve our ER segment, we have a number of dealers from our competitors coming over and asking if they can join the Spartan team. And that's how we're know we're doing the right thing, Steve. We're making good business decisions, taking care of our dealers, rationalizing the product, operational improvements, quality improvements, reducing warranty costs. So I can tell you, there's not one silver bullet, it's a bunch of levers that we're pulling, and over the last few years, we've shown that we know how to do that.

Operator: Thank you. And if this is all the questions we have right now, I'll return the call to Juris Pagrabs for any closing remarks.

Juris Pagrabs: Hey, thank you, everyone, for joining us today. We look forward to keeping you updated as we progress here for the rest of the year. I think we'll see most of you or many of you at the Craig-Hallum conference at the end of this month that we plan on participating in. And I think our first quarter -- or second quarter results are scheduled for the first week of August. Thanks, everyone.

Operator: Thank you. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.