Q1 2020 American Vanguard Corp Earnings Call

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PRESENTATION

Operator

Greetings, and welcome to the American Vanguard 2020 First Quarter Conference Call. (Operator Instructions) As a reminder, today's conference call is being recorded. (Operator Instructions)

I would now like to turn the conference over to your host, Bill Kuser, Director of Investor Relations. Thank you. You may begin.

William A. Kuser, American Vanguard Corporation - Director of IR & Corporate Communications

Well, thank you very much, Erica, and welcome, everyone, to American Vanguard's First Quarter 2020 Earnings Review. Our speakers today will be Mr. Eric Wintemute, the Chairman and CEO of American Vanguard; and Mr. David Johnson, the company's Chief Financial Officer. Also assisting in answering your questions, Mr. Bob Trogele, the company's Chief Operating Officer. This afternoon, American Vanguard has filed or will file our Form 10-Q with the SEC, providing additional detail to the results that will be discussed in this call.

Before beginning, let's take our usual cautionary reminder. In today's call, the company may discuss forward-looking information. Such information and statements are based on estimates and assumptions by the company's management and are subject to various risks and uncertainties that may cause actual results to differ from management's current expectations. Such factors can include weather conditions, changes in regulatory policy, competitive pressures and various other risks that are detailed in the company's SEC reports and filings. All forward-looking statements represent the company's best judgment as of the date of this call, such information will not necessarily be updated by the company.

With that, we turn the call to Eric.

Eric G. Wintemute, American Vanguard Corporation - Chairman & CEO

Thank you, Bill. Good afternoon, everyone. We appreciate your continued support of American Vanguard. For those of you that have logged in via computer, we will be showing a brief webcast video. For those of you who logged in by phone, you'll be able to hear the audio portion.

Let me start by saying that we wish you the best during these challenging times. Many things have changed since January 1, and we have adapted to those changes while keeping our workforce healthy and our business strong.

First, allow me to place American Vanguard within its proper context in light of COVID-19. We are fortunate to be operating within 3 of the 16 categories of essential businesses under CISA guidelines, namely food and agriculture, chemicals and public health. As part of the country's critical infrastructure, we have, as President Trump calls it a special responsibility to maintain normal business operations. We've taken that charge seriously and we'll continue to do so.

From the start of the pandemic, we have been operating continuously, both here and abroad, including all of our manufacturing facilities. However, answering this call has required a great deal of adjustment. And as we have reported in our proxy and report in our Form 10-Q, we took early action to understand, contain and mitigate the risk posed by the coronavirus.

To that end, we formed a pandemic working group to coordinate remote working, to implement policies on social distancing and quarantine and to keep the workforce up-to-date on a daily basis regarding COVID restriction orders, endemic curves and testing trends.

For the last 8 weeks, I have been hosting a 2-hour weekly state-of-the-company teleconference with 40 of our key global managers during which we track business unit performance, workforce health, supply chain and logistics and government actions in multiple countries.

I am pleased to report that to date, our workforce has been free from the COVID-19 infection. In addition, we have found that, except for a few days in India, immediately following the issue of its first COVID order about a month ago, supply routes have been generally open.

We have also found that transportation, whether by truck, rail or ship has been generally unaffected by the pandemic. And except for the implementation of social distancing protocols, including no in-person meetings, our customers have carried on operations without disruption.

In short, we've been able to carry on under a modified business-as-usual mode. This is not to say that the pandemic has left no effect on our markets or upon consumers who ultimately benefit from the food, fiber and fuel that our products support.

As you will see in our 10-Q MD&A commentary, we are providing performance data on 3 distinct categories of American Vanguard that receive our managerial focus, namely, domestic crop, domestic noncrop and our international business. An overview of this format is provided in a table attached to our press release.

With respect to domestic crop, net sales were flat with those from the comparable quarter in 2019, and sales by product and crop were mixed. With better weather in the West and Pacific Northwest are soil fumigants, which are used to pretreat field for potatoes, and high-value fruits and vegetables did well.

Also, net sales of our soybean products were up as we successfully expanded our participation in that crop with recently acquired products. We expect continued improvement in soybean herbicides during 2020, aided by a collaborative marketing arrangement in the U.S. that we have established with Syngenta.

With respect to corn, while sales of our corn soil insecticides were flat, sales of our impact herbicide, which continues to maintain brand value were up. 2020 corn plantings are expected to be in the mid-90 million acre range, and more favorable weather has permitted early planting. As a result, there's a strong likelihood that post-emergent herbicide demand will be significant, which should benefit our impact sales during the second and early third quarter.

And turning to cotton. We recorded decreased sales of our foliar insecticide Bidrin as lower cotton prices caused a decline in planted acres of about 10%. Offsetting this factor in the southern region is the uptick in peanut acreage, which supports our sales of Thimet insecticide.

A cautionary note on our full year performance arises from the unknown consequences of extended restaurant closures due to the pandemic. For example, we are seeing a 20% reduction in potato acreage due primarily to lower french fries sales.

In the domestic noncrop business, our net sales were down about 2%, due largely to lower volume of our mosquito adulticide, Dibrom. I will note here that metrologists are now predicting a record-setting hurricane season this year. So we may see a pickup in demand for this public health product. Also, due to a shift in timing, we received lower royalty payments from licenses to our Envance essential oil products in Q1.

These payments will pick up again in the current second quarter. Partly offsetting these decreases, we experienced stronger sales from our OHP unit, which sells largely into nurseries and greenhouses. They report that big box garden centers continue to see consistent foot traffic during the pandemic. However, demand from professional pest control operators, for example, for termite, ant and roach control, has lessened as more homeowners are opting for do-it-yourself solutions.

Turning to our international businesses. Our net sales were down by about 9% for the period. In the EU, sales of Mocap declined as a result of regulatory changes. Central American sales were flat, with strong sales into pineapples for nematode control, offset by some consolidation of certain regional suppliers.

Consistent with our expansion plans, sales in Mexico were up about 75%, with higher demand for our Krovar herbicide as well as for fumigants and insecticides. By contrast, in Brazil, sales were down due in part to lower pest pressure in soybeans, market uncertainty due to government instability and a 25% devaluation in the Brazilian real. It should be noted that about 80% of our Brazilian business is conducted during the second half of the year.

As we look forward into 2020, we think that it is prudent for us to remain cautious, yet positive. We will continue to place a premium on balance sheet strength, to manage inventories, generate cash and reduce outstanding debt. At this point in the year, we can say that we will endeavor to maximize our performance in these conditions and are poised to perform in line with our peers.

David will now take you from net sales through net income with a focus on working capital considerations. When I return, I will give you an update on what we are doing to grow through innovation and then make my closing remarks. David?

David T. Johnson, American Vanguard Corporation - VP, CFO & Treasurer

Thank you, Eric. Good afternoon, everybody. As Bill mentioned, we have filed our Form 10-Q for the 3 months ended March 31, 2020, today. Everything I'm covering here is included in more detail in that document.

With regard to the financial results, as Eric just detailed, the company's sales for the first quarter of 2020 were down about 4%, ending at $96 million as compared to $100 million this time last year. As Eric discussed, while our domestic business was flat quarter-over-quarter, our international business was down about 9%.

The drop in international sales was driven by 4 factors. First, we have seen reduced pest pressure and associated sales in Brazil, lower MOCAP sales as a result of regulatory changes in Europe. Further, during the quarter, the Brazilian real, the Mexican peso and the Australian dollar, all important currencies for the company suffered significant devaluation, particularly during March, impacting the translation of their sales and their expenses into U.S. dollars for inclusion in the company's financial statements.

These dynamics were offset by strong growth in sales in Mexico and Australia. As you can see from our earnings release, international sales amounted to 36% of our business in the first quarter of 2020 as compared to 38% this time last year.

With respect to gross margin performance, during the first quarter of 2020, our overall gross margin declined from 42% to 40% in comparison to 2019. This result is within our normal range of margin performance. Domestically, we improved gross margin in the crop business to 48% as compared to 47% in the first quarter of 2019.

By contrast, gross margins for our noncrop business were down quarter-over-quarter because of 2 reasons. First, in the same quarter of 2019, we had strong royalty earnings for our natural oils business. This year, that royalty stream has shifted and will begin in the second quarter of 2020. Second, we have been temporarily sourcing a newly acquired product until we are in position to manufacture in-house. We are investing in the necessary production equipment at our Axis facility and expect to start production later this year. In the meantime, our margins will be low on that product, which we expected when we made the acquisition.

Internationally, the changes in product mix and territories, I mentioned a few moments ago, had the impact of reducing the overall gross margin performance.

Moving to operating expenses. During the first quarter, our operating expenses ended at 38% of net sales as compared to 35% this time last year.

There were a few noteworthy factors included in this performance. We incurred costs of about $1 million related to currency adjustments of accounts payable balances on inventory purchases made by our Brazilian business in the normal course of business from suppliers based in hard currency zones, predominantly in the United States. This was somewhat offset by savings of approximately $400,000 in travel costs that didn't happen because of COVID-19 restrictions both our own and restrictions imposed by our various global business partners.

Our tax position is unusual this quarter because we are reporting a benefit instead of an expense. Each year, usually during the first quarter, we get a tax benefit from stock grants -- when stock grants vest. In addition, in 2020, we got a benefit from the recently enacted CARES Act, which allows companies to reevaluate the 2019 guilty inclusion, allowing increased allowances for interest expense deductions on foreign earned income. These 2 benefits together exceeded the underlying tax expense that would otherwise have resulted based on earnings alone.

It is also important to note that at this point in the year, our forecasted tax rate for 2020 is expected to rise in comparison with that of the prior year. That is because global tax rules with regard to tax structures have changed again.

We have reacted by reorganizing the company's international tax structure to minimize our overall rate. However, those actions are countered somewhat by the fact that in 2020, internationally, we are expecting stronger performances from businesses in international jurisdictions with marginally higher rates. Presently, we have an underlying rate forecast of 31% for the balance of the year, which will be reassessed as the year progresses.

Interest expense ended at $1.5 million as compared to $1.6 million this time last year. We managed our debt carefully as we started to expand working capital for the 2020 growing season, which is normal at this point in the annual global agriculture and noncrop cycles.

During the quarter, average debt was higher than the same quarter of 2019 and was offset by the average effective interest rate, which was down by approximately 3/4 of 1% compared to the first quarter of 2019. This reduction was driven by the Federal reserve decisions aimed at stimulating the economy. Overall, net income for the quarter decreased to $520,000 or $0.02 per share as compared to $3.9 million or $0.13 per share this time last year.

From my perspective, the key financial issues for the first quarter as follows: first, factory performance. Our factory output in 2020 was in line with the prior year as we continue to follow a disciplined approach to planning our factory activity, balancing overhead recovery with demand forecasts and inventory levels.

Second, inventory. It is pleased to note that our inventory is $15 million lower at the end of the first quarter of 2020 than it was a year ago even after factoring in acquisitions subsequent to the end of the first quarter of 2019. While sufficient, along with our manufacturing plan to meet our current sales forecast, the lower inventory level sets us up well for managing cash, improving our balance sheet and permitting solid factory activity during the rest of this year.

Third, with regard to liquidity, as we have reported, we approached our lenders and requested relief from one -- from the one covenant to our loan facility that is the most restrictive. This need is not driven by COVID, but by the normal business activities of the company, which includes, first, supporting our working capital needs for the 2020 growing season around the globe; and second, facilitating the acquisition of products and businesses that present strategic fit and long-term growth opportunities.

In summary, when looking at the first quarter of 2020 and in context with these unprecedented times, we can say that we have operated as normally as we could, we are able to report a profitable performance that was substantially unaffected operationally by the COVID pandemic, but was impacted by foreign exchange pressures beyond our control. We have continued our normal business cycle of expanding working capital in support of our globally situated businesses.

Finally, we have continued to monitor and assess our likely business performance for the next several quarters, approached our banking group that have been our business partners for more than 30 years and gained an amendment to our credit facility agreement, ensuring that based on our knowledge today, we have adequate liquidity to continue to follow our strategic plan, which includes making selective investments in growing the business and developing patented technology.

With that, I will hand back to Eric.

Eric G. Wintemute, American Vanguard Corporation - Chairman & CEO

Thank you, David. Now I'd like to update you on our strategic growth initiatives in product development, Envance technology and SIMPAS commercializations. As indicated in our March call, we've been very aggressive during the last several years in refining our process for developing a new product pipeline.

In addition to new product acquisitions, which has always been part of our successful business model, our increased emphasis on technology innovation has resulted in a significant number of new formulations, which expand the application potential of many products in our existing portfolio.

Our plans over the next 3 years involve introduction of more than a dozen differentiated formulations of herbicides, insecticides and fungicides for use line corn, soybeans, canola, peanuts, rice, cotton and turf applications. So we are reiterating the forecast that we issued in March, namely that these new products contribute incremental revenue of more than $10 million this year, $25 million in 2021 and $65 million by 2022, with overall gross margins in the 50% range.

Progress with Envance technology is also going extremely well. Our largest near-term revenue stream lies with Procter & Gamble's Zevo brand for consumer pest-control products. As we have discussed previously, the Envance formulations used in Zevo interrupts specific neurotransmitters found only in invertebrates rates such as insects, but not in invertebrates such as humans and pets. This preferred safety Advantage allows Zevo to command a premium price and should provide significant market segment penetration.

On a note of personal experience, I have recently visited a number of Home Depot and Target locations to get a gauge of P&G's retail marketing products. On numerous occasions, I have seen shelf stores fully stocked during my morning visits and virtually sold out during the revisits to those locations later in the day.

Even at a 2 to 3x premium price point, Zevo is a very attractive product for many consumers. Internally, our Envance team continues to expand this technology, a unique mode of action into other applications. We have recently secured a new patented formulation for Guardian, our personal mosquito insect repellent. Additionally, we have developed both a patented broad-spectrum herbicide and foliar insecticide formulations that are applicable in the lawn and garden market.

We continue to supply the poultry industry with necessary parasite mite control products and have a number of projects underway to build an animal health product line. What originally drew me to this unique technology was the prospect of developing a new class of low toxicity products for use in the agriculture crop protection sector. Such products would address human safety and environmental sustainability concerns without the regulatory restrictions placed on traditional synthetic chemical compounds.

Now let me update you on our SIMPAS commercialization program. I am thrilled to report that SIMPAS is currently being tested by 4 major U.S. distributors; Nutrien, Helena, WinField and Simplot who collectively constitute about 2/3 of the U.S. agricultural imports market.

Additionally, one of the Midwest's leading independent retailers, Asmus Farm Supply, is also cooperating in SIMPAS field trials through one of their growers. After 2 weeks of operations in 5 different states, these final field trials are exceeding our expectations, and we are receiving very favorable feedback on the system's performance.

Of that note, let me play for you brief comments made by Amy Asmus, the owner of Asmus Farm Supply during a recent crop life webinar on the topic of precision ag equipment technology.

[Presentatin]

If you were unable to see the video, we posted on our website. This webinar was attended by hundreds of key participants in the U.S. ag sector. We expect to be able to provide additional strong testimonials later this year.

Additionally, one of our largest industry peers is now testing SIMPAS to ensure that their products are compatible with our system. This is important because as this technology penetrates the market, we want growers and agronomists to be able to choose from among a variety of products from both AMVAC and its peers in order to accomplish yield enhancement, economic efficiency and improved environmental sustainability. As such, we will work with many of our peers to provide a full array of crop protection, biologicals and plant nutrient inputs targeting soil health.

Beyond SIMPAS development, as reported in early May -- or early April, we have made an investment in Canadian-based Clean Seed capital group, which broadens our IP in the rapidly expanding precision agriculture sector. Clean Seed has developed most advanced one-pass prescription application system for seeds and nutrients with their smart cedar technology. While AMVAC through SIMPAS has developed the most advanced one-pass prescription application system for applying multiple low-rate, in-furrow products while row planting. This alliance will give AMVAC, a highly sophisticated variable rate platform with leading-edge sensor technology, access to drill-seeded crops such as wheat, canola and other major cross and further expand our reach into the Canadian marketplace.

We look forward to giving growers the benefit of our collective efforts. In closing, allow me to take a few moments to give credit to my team at American Vanguard.

This has been an unprecedented quarter, one in which we have all had to make sacrifices to turn on a dime, to go remote, to wear masks, to keep a safe distance, to be mindful of how our partners operate, to keep our home lives in order and, at the same time, to run a business. Much is expected of us, and you've responded amazingly well. I thank you.

And now we'll field any questions that you may have. Erica?

QUESTIONS AND ANSWERS

Answer – Operator: (Operator Instructions) Your first question comes from Joseph Reagor with Roth Capital Partners.

Analyst: Joseph George Reagor, Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst

Question – Joseph George Reagor: I guess, first thing, on the foreign exchange front, what are some of the additional impacts you guys are seeing with the strength in the U.S. dollar? Are there any end markets where you have concerns about being able to maintain profitability or anywhere the exchange rates have dropped so far that it makes it a potential area that you may elect to not provide chemicals to for a period of time?

Answer – Eric G. Wintemute: I don't think we would suspend supply, but I will start with Mexico, where 60% of our business is done in dollars and 40% in pesos. They seem to be pretty well situated to increase prices as the dollar is widely used throughout Mexico.

Canada is not a major concern. We don't have a great number of products there, although we are expanding that market.

In Australia, which is strictly in the Australian dollars, we generally do look to kind of increase and the terms are not particularly long, but devaluation certainly can affect the business there.

Central America is pretty much all done in dollars. And so it doesn't have an effect there. But that leaves us Brazil, where we are purchasing in dollars, but we are selling in reais.

So that probably is the area that maybe we have the biggest concern. Of course, we're also watching credit terms closely. Again, as we get into the second half of the year, we're going to have to assess the health of not only the currency, but the governments and how that looks to play out.

But for right now, we think we're in a position to put through increases as our peers do. But I guess that would probably be the area of biggest concern.

Question – Joseph George Reagor: Okay. And just a fine-tuning point there. Can you remind us roughly what percentage Brazil represented of either total sales or total international sales last year?

Answer – Ulrich G. Trogele: 2%.

Answer – Eric G. Wintemute: 2% of last year of our total sales. Yes. We're calling for them to grow. I think (inaudible).

Question – Joseph George Reagor: Okay. Okay. Fair enough. And then David mentioned the part of the balance sheet flexibility, so you guys can continue to operate the way you've been operating. And I believe you mentioned acquisitions. Are you guys still examining acquisitions? Are you guys seeing any interesting opportunities because of this current crisis?

Answer – Eric G. Wintemute: I don't know whether it's because of the current prices. We generally -- the larger -- our larger peers generally look to trim their sales every 3 to 5 years. But we continue to see attractive businesses, well, our product lines. We're, of course, mindful of our debt-to-equity ratio.

And so I think we will continue to look at projects, but we'll probably be more conservative in our approach as to whether we put it off or close a deal in that sector. But I think we want to be in a position that if really great opportunity that comes along that we would not have to ask on that at this time.

Question – Joseph George Reagor: Okay. Then one final thing, if I could. On SIMPAS, I know it's been a long road, and you guys are kind of finally nearing the finish line and the commercialization of it.

But it seems like the market doesn't give you guys a lot of value for it. Have you considered the possibility that once you go to the point of commercialization, it might be worth more to someone else than your -- than the market's giving you for it and that may be the best way to monetize it would be to sell it?

Answer – Eric G. Wintemute: I guess, everything in businesses is for sale. That being said, I don't anticipate anybody coming along and filling the number down that we would accept. And I think when you say the market hasn't given us credit for it, I still think there's doubt as to how effective this is going to be and what kind of acceptance there is.

Of course, I -- since over the last 10 years, I felt this is going to be a game-changer. And I'm happy to report that many people inside of our company and outsider company are of that same mindset.

So I think we have been somewhat conservative in the numbers. I think from our internal standpoint, our people really wanted to see this particular last set of field testing, we actually did commercialize a small amount of the containers. And now I think are going to focus on what's our rate of acceleration here.

So with that, I would think by the next conference call that we could probably share some plans and visions of what we think will happen for this upcoming season. And I think we will be positioning both product and hands and SIMPAS systems in the fourth quarter.

Answer – Operator: (Operator Instructions) Your next question is from Chris Kapsch with Loop Capital Markets.

Answer – Christopher John Kapsch: So I had a question, Eric, on your comments about the new formulations that you've developed from existing products and just curious about the -- some of the metrics that you gave there. Is that truly adjacent markets that you don't touch currently? Or is there some element of cannibalization of existing sales for those products?

Answer – Eric G. Wintemute: I think for the most part, these are expansions about where we are. I mean, when we look at our SIMPAS products that we introduced, we're not -- they're segmented for different parts of the market. And so I think we're in pretty good shape there. But...

Bob, do you want to add some color?

Answer – Ulrich G. Trogele: Yes. In fact, that goes into the early pre-market, the impact traditionally goes into the post-market. So we're looking at white space opportunities and we're engineering and designing differentiated products for those white space opportunities. The idea is to engineer products for incremental growth.

Answer – Christopher John Kapsch: Okay. So it sounds like primarily focused on incremental applications that's limited cannibalization bond? Does that sound a fair way of characterizing?

Answer – Ulrich G. Trogele: Avoid cannibalization, we want to grow.

Answer – Christopher John Kapsch: Right. Okay. And then I just had a follow-up on some of the commentary about the color as this year is progressing. And the I think that -- so domestic sales flat.

There's some, obviously, cross currents and different crops. But -- so one thing that -- so Corteva reported -- when was that? I guess, last week. And really strong corn acreage, probably more than a lot of the trade expectations were. And we'll see how much if there -- if we lose some of that acreage way north in terms of later planning, but just wondering what -- so what are you seeing in your corn business, given what looks like really strong acreage across the Midwest, albeit against tough comp? Was there some reason you would underperform the market in that particular segment?

Was there -- because I think the narrative had been that your channel inventories were okay. So it seems like I get corn as a smaller piece of the overall portfolio. But I would have expected to see given the year-over-year growth in corn acreage, some -- not to move the needle a little bit for your domestic crop business?

Answer – Eric G. Wintemute: Yes. I think we also thought along those lines. However, corn prices being where they are, the commodity price, we may have seen some pushback in insecticide treatment.

But Bob, I don't know if you've got thoughts on that as well.

Answer – Ulrich G. Trogele: Yes. So right now where we are, it's a little bit early. I mean, from a Corteva perspective, they're talking primarily about seed sales, which the prediction, what I saw this morning, is 96 million acres and 27% to this morning has been planted. So there's still plenty to go. And while we track EDI, we think it's going to be a solid year, and it may be slightly up. But it's driven by price pressure and it's driven by corn on corn. So that varies from farm to farm. We had a good solid insecticide year last year. So...

Answer – Eric G. Wintemute: Our fourth quarter was...

Answer – Ulrich G. Trogele: And so I think that, that segment is relatively stable. It's a nice franchise for us. We don't expect any downside, maybe some upside.

Answer – Eric G. Wintemute: So I think it's -- ladies and gentlemen, we're going to wind up with considerable upside.

Answer – Ulrich G. Trogele: That's correct.

Answer – Christopher John Kapsch: Yes. But I mean I get the commodity price environment, but they're planning corn nonetheless, like 96 million acres, give or take, right? So is there -- to the extent that growers are looking to thrift, is there -- and then particularly those that are doing corn on corn, I get some of it's like guys had to shift to soy last year and then pivoted back to corn this year and so forth. But to the extent there they're planning corn right in the heart of the corn belt there, is there a way to -- I guess, they can just sort of take their chances and hope that there was light pressure, but we had a mild winter, is there other ways to -- for them to get that protection? Is there -- I get there's a light, but is there now traits that are influencing your demand trends there for that product line?

Answer – Ulrich G. Trogele: I would say that the balance between traits and insecticides, a mix of both. Looking at the statistics, when we looked at that in March for 2019, the market was flat.

Answer – Christopher John Kapsch: Flat for the soil-applied insecticides, you mean? Or...

Answer – Ulrich G. Trogele: Yes.

Answer – Christopher John Kapsch: Got it. Okay. And then just one quick one on inventories. Do you have a goal in terms of where you would hope? And I don't mean qualitatively lower, but like where inventories might be, how much cash do you hope to get out of working capital and inventories this year?

Answer – Eric G. Wintemute: So as far as inventory, we started -- I think the last time we were trying to get lift the target to $140 million. I think now we think that we can get down to $135 million, providing we're able to execute the forecast that our team has put together globally. So that will certainly generate a fair amount of capital. I think we have cash -- we ended last year at, what? $155 million?

Answer – Ulrich G. Trogele: Yes.

Answer – Eric G. Wintemute: So this would be a $20 million reduction or cash generation from that.

Answer – Operator: (Operator Instructions) And there are no further questions at this time. I'll turn the call back over to management for any closing remarks.

Answer – Eric G. Wintemute: Okay. Well, again, everybody, thank you very much for listening in. And we look forward to our next call and giving you additional information. Thank you.

Answer – Operator: Ladies and gentlemen, this concludes today's conference call and webcast. Thank you for participating. You may now disconnect.
