TRANSCRIPT

Q1 2023 Jushi Holdings Inc. Earnings Call

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PRESENTATION

Operator

Good morning. My name is Mandeep, and I will be your conference operator today. At this time, I would like to welcome everyone to Jushi Holdings, Inc. First Quarter 2023 Earnings Conference Call. Today's call is being recorded.

I would now turn the call over to Lisa Forman, Director of Investor Relations. Thank you. Please go ahead.

Lisa Forman ***Jushi Holdings Inc. - Director of IR***

Good morning, and thank you for joining us today on Jushi's First Quarter Fiscal 2023 Conference Call. My name is Lisa Forman, and I am Director of Investor Relations at Jushi Holdings, Inc. With me on today's call are Jim Cacioppo, our Chairman and Chief Executive Officer; and Michelle Mosier, our Chief Financial Officer. This call is also being broadcast live over the web and can be accessed from the Investor Relations section of the company's website at ir.jushico.com.

In addition to the company's GAAP results, management will also provide supplementary results on a non-GAAP basis. Please refer to the press release issued today for a detailed reconciliation of GAAP and non-GAAP results, which can be accessed from the Investor Relations section of the company's website at ir.jushico.com.

Additionally, we would like to remind you that during the course of this conference call, we will make forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. Although Jushi believes our estimates and assumptions to be reasonable, they are subject to a number of risks and uncertainties beyond our control and may prove to be inaccurate. We caution you that actual results may differ materially from any future performance suggested in the company's forward-looking statements. We refer you to the company's current and periodic reports filed with the SEC and on SEDAR, including our most recent annual report on Form 10-K for important risk factors that could cause actual results to differ materially from those contained in any forward-looking statements. Jushi expressly disclaims any obligation to update this forward-looking information.

I will now turn the call over to Jim.

James Anthony Cacioppo ***Jushi Holdings Inc. - Founder, Chairman & CEO***

Thank you, Lisa, and thank you, everyone, for joining our call today. This morning, I will provide an overview of our first quarter 2023 performance and operational achievements. I will then turn the call over to Michelle to review our financial results in more detail before opening the question-and-answer period.

I'd like to start today's call by briefly highlighting our top line results and the notable progress we have made in reducing expenses and improving our bottom line as we further transition our business from high growth to profitability. Revenue for the first quarter grew approximately 13% year-over-year to approximately $70 million. Notably, wholesale revenue nearly doubled year-over-year. Our wholesale operations are expected to be an important contributor to revenue growth in the near term as we increase output across our grower processor footprint.

Sequentially, we saw lower revenue with approximately half of the change due to the seasonality following the holidays and the remainder due to the impact of adult-use sales in Missouri, which commenced February 3 and impacted our 2 border stores in Sauget, Illinois. Since the beginning of adult-use sales in Missouri, we have implemented several initiatives to remedy the impact on these dispensaries such as optimized promotions and pricing and leveraging our availability of quality products that are currently offered in Missouri. Loss in revenue was partially offset by the opening of our first store in Ohio and the continued growth of our retail and wholesale operations in Virginia.

Gross profit increased by approximately 57% year-over-year and 36% sequentially to $30 million for the first quarter of 2023. Our gross margin grew approximately 12 percentage points to 43% compared to 31% of revenue in the first quarter of 2022. We expect this growth to continue throughout 2023, with cost improvements at retail and many improvements at our grower processors, including harvesting new grow rooms in our Virginia, Pennsylvania facilities, improving grams per plant and quality metrics like potency and terpenes as well as increased cost efficiencies.

In total, company-wide, we reduced our operating expenses by approximately 13% year-over-year from $37 million in Q1 2022 to $32 million in the first quarter of 2023, while growing revenues year-over-year. As a result of all of this hard work, adjusted EBITDA in the first quarter of 2023 was $7.6 million, an increase of approximately $8.5 million year-over-year. Our overall headcount was reduced from approximately 1,570 total employees at our peak in 2022 to 1,198 as of April 30 of this year.

Although we have made significant strides in meeting our company-wide optimization plan, we are still increasing efficiencies in retail and in our grower processors as we ramp up our Virginia/Pennsylvania grower processors and continue the turnaround of our Massachusetts grow processor.

I will give 4 examples of ongoing optimization efforts. Number one, as of April 2023, we transitioned to a new optimized retail labor model that is expected to significantly reduce labor hour costs. This model is expected to cut our labor hours nearly in half and continue to help us optimize our staffing levels across our dispensary network to drive profitability. Number 2, we closed 3 unperforming Beyond Hello stores in Colwyn, Pennsylvania; Hazelton, Pennsylvania; and Palm Springs, California, bringing our current footprint to a total of 34 operating dispensaries in 7 markets. 3, we are in the process of significantly increasing plant yields and plant potency in all of our facilities, which should provide a path for us to grow revenues and profitability. 4, through a combination of the ramp-up of our recently completed grower processor facilities, improved genetics, consistently applied plant care techniques, new and improved technologies and more efficient labor usage, we plan to significantly improve our grower processor profitability this year.

I will now walk through our operational achievements for the first quarter of 2023. First, we expanded our vertically integrated footprint to 5 states with the opening of our first medical dispensary near Cincinnati, Ohio. The initial performance of this store has been excellent, and we're exploring ways to continue to increase patient traffic, both in-store and online. Next, in Virginia, we opened our fifth medical dispensary in Arlington. We plan to open our sixth medical dispensary in Virginia located in Woodbridge later this year. We are seeing an increasing number of patients taking advantage of the convenience of our online platform for both pickup and delivery services in the state. We continue to evaluate innovative ways to improve our offerings and draw more patients. And our 93,000 square foot grower processor facility in Virginia, a sixth flower room has opened, expanding the facility's overall production.

On the regulatory front, we are encouraged by the passage of several amended medical cannabis bills by the Governor of Virginia Glenn Youngkin last month to improve patient access. These included full regulatory oversight transfer to the Cannabis Control Authority as of January 1, 2024, among other favorable initiatives to enhance the state's medical cannabis program. While this is a step in the right direction, we are disappointed by the state's failure to advance adult-use legislation that would help address the ongoing illegal distribution of untested, unregulated untaxed and non-age verified cannabis products throughout the state. We are hopeful that the upcoming turnover in legislators in November before the elections will simulate progressive discourse around more meaningful policy changes.

Moving to Pennsylvania. We added 2 flower rooms at our 123,000 square foot facility in Scranton, Pennsylvania for a total of 11 rooms, and we continue to ramp up of the 7 new rooms recently brought online in our recent expansion. Also, we will move 2 recently closed dispensaries in Pennsylvania during the year, but they will not open until 2024.

In Massachusetts, we have implemented an aggressive optimization program at our Lakeville facility. As part of this program, we have enhanced leadership and implemented a new set of KPIs to strengthen and align performance and safety standards across the facility. These initiatives have already led to reduced costs and significant operational improvements. We have increased yields, flower trim ratios and have seen increased potency levels. This summer, our landlord will complete a multimillion-dollar capital investment program that will improve the building mechanicals, which should allow for more efficient operations and improve quality and yields.

As our 3 big grower processors in Virginia, Pennsylvania and Massachusetts ramped towards their targeted cultivation targets, our marginal cost per additional unit produced is minimal relative to the large increase in saleable product, which should allow us to expand gross margin in this segment.

Now looking at our brands. Jushi branded product sell-through increased to approximately 50% of our total retail sales within our 5 vertical markets in the first quarter of 2023, up from 47% in Q4 2022. In the first quarter, we expanded the Seche brand with the launch of the Kind Grind product in Massachusetts. Kind Grind is a line of high-potency value-focused products featuring pre-ground infused flower and pre-rolls. Since our launch, these products have been extremely popular in Massachusetts, prompting us to consider expanding into Pennsylvania and Virginia, where we are seeing consumer demand for potent yet affordable products. With this new value offering, we expect to generate higher margins and capture market share as we redefine the perception of value products with great quality at a compelling price point.

On the product front, we also updated our packaging to a more economic and sustainable format. Our new product pouches are made from post-consumer recycled material and manufactured in the U.S. and is expected to greatly reduce our carbon footprint. This new packaging is currently being implemented in our 3 largest brands, The Lab, Seche and The Bank.

Before wrapping up, I would like to talk about what we are doing to strengthen our balance sheet and maintain strong financial discipline through 2023. After the quarter, we closed a $20 million non-dilutive debt financing that will bear interest based on a 30-day average secured overnight financing rate plus 3.55% with a floor interest rate of not less than 8.25% with FVC Bank, which allows us to execute our strategic growth initiatives and offers a favorable structure for refinancing opportunities. We were pleased to secure this lower risk financing that dovetails well with our unique first and second lien structure.

Jushi's first lien debt matures at the end of 2024, with scheduled quarterly repayment of approximately $2.4 million starting in July of 2023, and a final repayment of $50.9 million at maturity. Given that this first lien facility has collateral that includes all of the material licenses, we view this as the easiest non-real estate part of the debt structure to refinance. Like our peers, we are taking part in the employee retention credit program, which is expected to further enhance our cash position.

Next, as we more fully described in our SEC filings, a considerable portion of our debt is subject to our indemnity claims against Sammartino Investments, the former owner of Nature's Remedy. Our indemnity claims exceed the value of the debt we owe to this counterparty. We will continue to provide an update on this matter when suitable.

Finally, as previously reported, we have engaged MGO LLP as our new independent registered public accounting firm, and we continue to strive to optimize our financial reporting processes. I am pleased with the substantial progress we have made this quarter and remain confident in the direction our business is headed. With our newly bolstered management team following the leadership appointments made in the first quarter, Jushi is prime for strong execution in 2023, and we look forward to demonstrating the continued progress we anticipate throughout 2023.

With that, I'll now ask Michelle to review our financial results before we open the call to questions.

Michelle O. Mosier ***Jushi Holdings Inc. - CFO & CAO***

Thanks, Jim, and good morning, everyone. As Jim mentioned, revenue in the first quarter of 2023 increased 12.9% to $69.9 million compared to $61.9 million in the first quarter of 2022. The year-over-year increase in revenue was driven by growth in retail revenue of

7.5% and significant growth in wholesale revenue, where revenue nearly doubled. The growth in retail revenue was primarily due to the opening of new dispensaries in Nevada, Virginia and our first in Ohio. This increase was partially offset by price compression in Pennsylvania and the initial impact of Missouri adult-use sales on our 2 bordering stores in Sage, Illinois. The wholesale growth was due to increased activity in our grower processors in Massachusetts, Nevada and Virginia as our facility footprint in these states continues to benefit from operational improvements and increased efficiencies.

Gross profit was $29.9 million or 42.9% of revenue compared to $19.1 million or 30.9% of revenue in the prior year. Gross margin benefited from increased wholesale activity and realized operational efficiencies from the ongoing expansion projects at our grower processors in Pennsylvania and Virginia and facility upgrades in Massachusetts. The increase in gross margin was also driven by growth in Jushi branded product sell-through, reaching approximately 50% of total retail sales in the first quarter in our 5 vertical markets as compared to approximately 47% in Q4 2022.

The increase in gross margin was somewhat offset by price compression in Pennsylvania and again in Illinois as a result of the introduction of adult-use sales in Missouri. Additionally, prior year gross margin was negatively impacted by the sell-through of inventory acquired through the acquisitions of Nature's Remedy and Apothecarium, which had fair value step-up.

Operating expenses were $32.5 million or a decrease of 13% compared to $37.3 million in the prior year. Continued efforts to rightsize the business such as reductions in head count and a decrease in employee-related expenses contributed to the decrease in operating expenses. Salaries, wages, share-based compensation and other employee-related expenses were reduced 21.3% year-over-year. The net loss was $12.4 million for the first quarter of 2023, a reduction of $7.3 million or 37% compared to a net loss of $19.8 million in the first quarter of 2022. As a result of our sales growth and improved operating efficiencies, adjusted EBITDA was $7.6 million, an improvement of $8.5 million compared to a loss of $875,000 in the first quarter of 2022. Sequentially, adjusted EBITDA increased $1.6 million compared to $6 million in the fourth quarter of 2022.

Moving to the balance sheet. We ended the first quarter with $19.4 million of cash, cash equivalents and restricted cash. Cash outflows for capital expenditures were approximately $4.5 million in the first quarter and included continued investments related to the build-out of new and existing retail stores across 5 states and our grower processor expansions in Pennsylvania and Virginia. As mentioned on the last call, we expect capital expenditures for new projects to be approximately $13 million in 2023, of which approximately $6 million is discretionary growth capital as a substantial amount of our expansion projects in Pennsylvania and Virginia were completed last year.

As of March 31, 2023, we had approximately $209 million in principal amount of debt outstanding. This excludes leases and financing obligations for property plant and equipment. Finally, as mentioned, after the end of the first quarter, we closed a $20 million secured commercial loan with FVC Bank. The loan has a 5-year term and is secured by our cultivation and manufacturing assets in Virginia. There will be an interest based on the 30-day average secured overnight financing rate, plus 3.55% with a floor interest rate of not less than 8.25%.

And with that, I'll now turn the call back to Jim for concluding remarks.

James Anthony Cacioppo ***Jushi Holdings Inc. - Founder, Chairman & CEO***

Thank you, Michelle. I think the quarter speaks for itself, and we look forward to continuing our positive trend in EBITDA throughout 2023.

Operator, let's take questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Brian Kadey from Canaccord.

Brian Kadey

Jim, congratulations on the margin improvement. Good to see some of the fruits of your efforts. My question is just more information on sort of the change in the auditor. And then more specifically, the going concern qualification that was put on your financials. I mean how does that impact your business going forward?

James Anthony Cacioppo ***Jushi Holdings Inc. - Founder, Chairman & CEO***

Thanks, Brian. I'll let Michelle answer those.

Michelle O. Mosier ***Jushi Holdings Inc. - CFO & CAO***

Brian, first let me address the change in auditors. I want to make it clear that the decision to change auditors and the going concern are completely unrelated. Being new to the industry, I had discussions with several of my peers when I first got here and I had heard some very good things about MGO. We engaged in discussions with them. And at the end of the day, we just decided that they would be a better fit and made the decision to make the change.

With respect to the going concern, when a company has a history of operating losses and negative cash flow, those factors raise substantial doubt about the company's ability to continue as a going concern. And management must be able to present to his auditors a plan that's supported by auditable evidence of what's it doing to alleviate that doubt. Since inception, as you know, we've been focused on building a diverse portfolio of assets and attractive and/or unlimited license markets and vertically integrating our business where practical. And as such, we've incurred losses and as we continue to expand.

As demonstrated this quarter, we put in place plans to increase profitability of the business in fiscal year 2023 and beyond. In order to achieve profitable future operations, we began to commercialize production from our recently expanded grower processor facilities in Pennsylvania and Virginia, as well as implemented cost savings and efficiency optimization plan, which includes, among other things, the reduction in labor we've been talking about, the packaging cost savings as well as operating efficiencies at our retail and grower processing facilities.

While at this time, we don't believe it's necessary. We also own real estate and other noncore assets that can be disposed of if we needed to. However, all of these plans to increase profitability and our contingency to sell assets if necessary were not auditable. And accordingly, we were unable to alleviate the substantial doubt. And because of that, we ended up with the unqualified opinion and the explanatory paragraph describing that substantial doubt. We don't believe it negatively affects our ability to continue to operate. Our plans are in place, and we plan to continue to march in that direction and put the results on paper.

Operator

Our next question comes from the line of Russell Stanley from Beacon Securities.

Russell Stanley ***Beacon Securities Limited, Research Division - MD & Research Analyst***

Congrats on the sequential EBITDA improvement. The press release notes target reaching operating cash flow by Q4. And I'm just wondering how much of a role you expect working capital release to play in getting there. A common theme we're hearing this earnings season has been inventory rightsizing and I'm not sure that's a lever available to you given you're ramping up your growth. So just wondering if you expect to get to that milestone purely on operations or if working capital will somehow contribute?

James Anthony Cacioppo ***Jushi Holdings Inc. - Founder, Chairman & CEO***

Thanks, Russell. Yes, so I think our goal is to get to a free cash flow positive, so we can pay debt down in the fourth quarter out of operating cash flow after capital expenditures and interest and et cetera. So that's our goal. And no, we don't anticipate a significant working capital changes in our favor. Our inventories are in line, and we accessed that lever last year.

Operator

Our next question comes from the line of Bobby Burleson from Canaccord.

Robert Joseph Burleson ***Canaccord Genuity Corp., Research Division - MD & Analyst***

Maybe you could give us some guardrails in terms of your grower processor profitability goals, kind of where you are now, maybe with capacity utilization and what the overall cost structure looks like in those assets versus where you'd like to go.

James Anthony Cacioppo ***Jushi Holdings Inc. - Founder, Chairman & CEO***

Thanks, Bobby. Appreciate the question. Yes, so in terms of the grower processors I'd like to say it's the biggest lever we have. But having said that, on April 2, just to note, we went to this budgeted labor model in our retail network, where we drastically cut hours by better utilizing our part-time help, which was 60% of our workforce. We reduced hours, I believe we put it into the press release by something like 50%. And so that's very dramatic, which hits in April, right? So that's one thing I just want to make sure I sort of emphasize. That's not in the first quarter numbers.

In terms of the grower processor, the capacity utilization, one of the reasons why we struggle with profitability throughout 2022 is that the capacity utilization was very low. We had supply chain issues. We had ramp-up issues. You name the issue, CO2 didn't show up, the CO2 provider didn't provide what they said they could provide and our yields suffer. The CO2 helps our yields. As examples, the air pressure systems and things like that, that were put in place were breaking down brand-new stuff. They had to come and fix it. It was just typical ramp-up issues. I don't think it was anything more dramatic than you see. And of course, there's always construction delays in an economy like we have, that's booming, right? So all of that was a bad tonic for 2022 profitability.

As you flip into this year, these grow rooms, which did not come online, so we were operating far below stated capacity. The number of grow rooms taken down in Virginia last year was previously low compared to the amount of capacity that we could have had line online if we were on time and we didn't have ramp-up issues. And the same for Pennsylvania. So now flipping the year into this year, all that production is coming online. So the capacity utilization will increase to what I call KPI throughout the year and into the third and fourth quarter, especially. So by the end of this quarter, we expect Pennsylvania to be operating at full capacity and hitting close to our KPI yields, which are about 75 grams per square foot. And -- but that doesn't hit revenue as you're taking that down, it takes 30 days to get in packages. And that will be happening by the end of June and maybe we get a little bit of revenue in the end of June out of that, but that full capacity really hits into the third quarter, and it looks like the full third quarter. We think we have really good sort of modeling techniques on that.

In Virginia, the story is a little bit further out, and it starts to call it, about a month or 2 out to get to that -- those KPIs. And then Massachusetts is about a month or so before that with additional yields coming throughout the year in Massachusetts due to some mechanical issues that the landlord is invested in. So this capacity utilization really should be fully online. I have a pretty high degree of confidence in the fourth quarter and the third quarter should look pretty damn good, and we'll get some of it in the second quarter.

Operator

Our next question comes from the line of Ty Collin from Eight Capital.

Ty Collin ***Eight Capital, Research Division - Analyst***

So look, really, really strong retail sales growth year-over-year here. Obviously, some new dispensaries and an acquisition in there. Jim, I'm wondering if you could comment, even in broad strokes, what you're seeing from a same-store perspective, maybe in terms of volume and basket size, if you're not able to disclose actual growth numbers.

So no, we don't go into those numbers on this general call. After the call or next week, you can get with Michelle to go through those numbers. We just don't think those numbers right now given how we run the store base and the focus on everything else. -- is -- has been like a big representative thing for us over time. We might shift that thinking and how we disclose things, but so far, we haven't. The one thing I'd point out to you is in Missouri, I mean, in Illinois, as we said in the press release and the prepared remarks, we lost sales in 2 border stores that were sort of effectively in the East St. Louis area. And Missouri flipped over into adult use on February 3 of this year. And the program came on really strong. There was a lot of product.

I think it surprised a lot of people in the market how much product they had. And then -- so we have most of that out of the system in Q1 but not all. So we'll get some more declines in Q2. And once we do that, the growth, I think, will -- the company in retail will be really based upon Virginia growing. And we have -- although we're only adding one more new store, and I think that's going to be a great story, I mentioned that in the last quarter in Woodbridge, it's very close to the MSA that MedMen used to have and underserved MSA with no retail stores. But it's going to be a great story even without that. But the stores that we opened last year, Fairfax, Alexandria, Arlington even we opened Sterling a while ago, they hit this ramp phase in a medical market where you don't have a lot of levers to pull on advertising, and it goes very viral based on usage. And we have that model in our heads through our experience in Pennsylvania in the beginning years of Pennsylvania going back to 2020 and '21.

You see this continual ramp-up of these stores. So we're hitting the sweet spot in Fairfax as we speak. And then Arlington is a little bit behind that and quite a bit behind that. We just opened that store in January, and then Alexandria's in between the 2. And those sweet spots keep going. So we'll have pretty -- quite good growth in Virginia.

Pennsylvania has hit that sort of flattish area because people have opened most of their stores. There's still a few more stores. The growth we get in Pennsylvania in retail, unfortunately, won't be until the early '24 when we reopened one of these stores that we closed. And then the other store that we closed, we haven't cited yet. So that will be further around 24%. So that's -- we look forward to having some of that growth in '24, but we unfortunately, we won't get that in Q4.

Operator

Our next question comes from the line of Andrew Semple from Echelon Capital Markets.

Andrew Semple *Echelon Wealth Partners Inc., Research Division - Special Situations Associate*

First off, I just want to say glad to see the actions being taken to improve profitability, great to see margins stepping higher in the quarter. On the margin side, maybe just digging for a little bit of details into that, what was the biggest driver behind the kind of quarter-over-quarter margin improvement we saw. Was that getting better pricing from supply? Was that cutting cost at the grower processor? Was that yield improvements at the grower processors? And then second, do you expect the margin gains that we saw in the first quarter to hold for the balance of the year and trend higher? Or do you think there will be some lumpiness to that?

James Anthony Cacioppo *Jushi Holdings Inc. - Founder, Chairman & CEO*

So yes, so first of all, I want to break this down, so I don't get it. So I do think they will improve, by the way. But what happened in the -- throughout the year, throughout the -- so why they improved is that we did bring down costs. And our cost reduction program, in fact, started in the fourth quarter in the grower processors, and implemented. So we didn't get even a lot of that in the fourth quarter. It really hit in the first quarter. And then we -- and that was multiphased. So it started really in December, but then multi-phases throughout so far this year. And we're still coming up with efficiencies. There will be an efficiency drive on the cost side throughout the year. You get better results, you get better management. Once you learn how to do efficiencies, you keep doing it and how you work a line of batching or batching equipment or it could be your -- the line that does sort of the jarring and the labeling. As another example, you can save a lot of labor by monitoring sort of hours per pound in cultivation, things like that, driving these efficiencies.

And although we're growing headcount because we're ramping up these facilities, the per-employee metrics we follow very closely, and they will improve throughout the year. So that's -- and then new rooms was a lot of what we saw coming online in Q1 is not, I would say, increased plant yields on a metric basis, let's say, on a grams per plant or grams per square foot. I think we're still -- as you ramp up and bring all these rooms, you don't hit these great, great KPI numbers right away. You're sort of overwhelming your facility in a way with just all of this ramp up.

Just to put that in perspective, Virginia went very quickly from 1 flower room to 6 operational flower room. We're bringing on a seventh room. So what you're going to see this year -- that's what you saw in the past of the GPs was in new rooms coming online, which we had all the cost of, but no revenue. So that's a pretty dramatic increase. But now it's really the efficiency drive that you mentioned, getting to 75 grams per square foot on a yield basis, which is not a high bar. I think we will raise that bar at some point at the end of the year 2024 to exceed that and get more out of our fixed capital and variable cost in the facility.

And the other thing that increased margins as well. I will remind you that the cost -- hours cost cut of retail did not happen until April 2.

But we did cut retail costs throughout the year. So you saw the effectiveness. We started April of last year. It was frustratingly slow. You could imagine that I was leading this charge, but it's just -- I just never met such resistance. People tell me this is normal, and it just takes time to get it and then it started to hit and go through the system.

And then the -- and the third part of that story is on the commercial side. We have a new commercial director, Shaunna Patrick, who's been with us since June of last year, and we've done a much better job in purchasing than we did previously. So we're getting better deals as one of the largest buyers of third-party biomass, we're getting better deals than we used to get. And we're just doing basic things that we weren't doing as a better managed company. So those are the 3 largest components. And moving forward, you have improvements in all of those components throughout the year.

Operator

I would now like to turn the call over to Jim Cacioppo, for closing remarks.

James Anthony Cacioppo ***Jushi Holdings Inc. - Founder, Chairman & CEO***

Great. Thank you. Thanks, everybody, for joining us, and we're really proud of the quarter, and we'll speak to you again in August. Thank you.

Operator

Thank you, ladies and gentlemen. This does conclude today's call. Thank you for your participation. You may now disconnect.