



# **Delta Apparel, Inc.**

## **Fiscal 2021 First Quarter Earnings Conference Call**

*February 8, 2021*

### **Operator**

Thank you and good afternoon to everyone participating in Delta Apparel's Fiscal 2021 First Quarter Earnings Conference Call.

Joining us from Management are Bob Humphreys, Chairman and Chief Executive Officer; and Deb Merrill, Chief Financial Officer and President of Delta Group.

Before we begin, I'd like to remind everyone that during the course of this conference call, projections or other forward-looking statements may be made by Delta Apparel's Executives. Such projections and statements suggest predictions and involve risks and uncertainty, and actual results may differ materially. Please refer to the periodic statements filed with the Securities and Exchange Commission, including the Company's most recent Form 10-K. This document identifies important factors that could cause actual results to differ materially from these contained in the projections or forward-looking statements. Please note that any forward-looking statements are made only as of today, and except as required by law, the Company does not commit to update or revise any forward-looking statements even if it becomes apparent that any projected results will not be realized.

I'd now like to turn the floor over to Delta's Chairman and Chief Executive Officer, Bob Humphreys. Please go ahead, sir.

### **Robert Humphreys**

Good afternoon, and thank you for joining us on our fiscal 2021 First Quarter Earnings Call. I'll start the call with a brief summary of our first quarter performance, and then turn it over to our CFO, Deb Merrill, for additional business highlights and financial results.

We are off to a great start in the fiscal year, with first quarter sales well ahead of our internal expectations for both sales and profitability. Through a combination of strong order demand and outstanding manufacturing and operational execution at all levels, our December 2020 quarter sales were nearly flat with the prior year levels.

We achieved these results despite notable headwinds from inventory constraints, hurricane-related disruptions in Central America and freight carrier limitations during the holiday season. Our profitability also significantly expanded this quarter with improved gross margins and operating profits in both our business segments.

Adjusting for the hurricane disruptions, our operating income increased over 65% to \$4.4 million for the December quarter, and our earnings more than doubled to \$0.28 per diluted share. We were particularly pleased with the accelerating success of our own demand retail model within DTG2Go as we gain significant traction with traditional retailers expanding their business utilizing digital print.

Unit sales in this new retail channel of the DTG2Go business were four times the level they were a year ago, further diversifying the base of customers seeing the benefit of our unique, vertically integrated on-demand supply chain. We also capitalized on market opportunities that fueled growth and expanded profitability in our Activewear business, overcoming the challenges caused by inventory constraints and continued disruption in certain channels of distribution as a result of the ongoing COVID-19 pandemic.

Within our Salt Life Group segment, our strong results and improved margins were driven from direct-to-consumer sales with robust store performance on a same-store sales basis as well as our recently opened retail doors across Florida. At the same time, Salt Life continued to service and perform well for our independent and regional wholesale customers despite the disruptions they've been experiencing during the pandemic. We go into the spring shipping season with the strongest wholesale order backlog in Salt Life's history.

I'll now turn the discussion over to Deb to go into more detail on our first quarter performance and financial results. Deb?

**Deborah Merrill**

Thank you, Bob.

Looking first at our DTG2Go business, it clearly remains a market leader in the on-demand direct-to-garment digital print and fulfillment industry. Coming off of a very strong back half of fiscal 2020, our overall unit sales during the first quarter were down about 7% despite being up double digits during the holiday season. While not what we initially expected, there were some notable achievements and key takeaways that are important to understand.

It appears across the board that overall consumer spending saw a pullback in September, which continued into October and November as consumers grappled with the rise of COVID infections, the election and uncertainty regarding the additional stimulus package. Many of our customers saw their sales faltering 20% to 30% compared to the prior year during these months. (Inaudible) picked up significantly with our customers as Thanksgiving approached, driving a strong start to the holiday season at DTG2Go.

We're proud of our employees at our nine print facilities across the U.S. where we operated our facilities 24/7 fulfilling orders at a record pace. As you probably saw in the news, with a third of online shopping, major freight carriers imposed shipping limitations and moved guaranteed holiday delivery cut off earlier, thereby hampering the holiday season potential. Despite these headwinds, DTG2Go saw double-digit growth in units shipped during the holiday. This strength was not enough to overcome the start to the quarter, resulting in first quarter units being down to the prior year.

We saw remarkable strength in the retail channel with our new on-demand DC service model, which provides retailers immediate access to utilize DTG2Go's broad network of print and fulfillment facilities while offering the scalability to integrate digital fulfillment within the retailer's own distribution facility. With the launch of DTG2Go's first on-demand DC, our partner was able to more than double their on-demand business during the December quarter from a year ago, providing a better consumer experience while also benefiting from reduced shipping costs.

We believe our on-demand DC solution is a compelling value proposition to brick-and-mortar retailers and brands alike, offering their consumers limitless merchandise selection, personalization options and seamless fulfillment across a broader supply chain with no excess inventory risk. This channel of distribution

offers significant future growth to DTG2Go with the significant size of this market, combined with the giant leap forward in service, speed and economic benefits offered to the supply chain.

DTG2Go continues to grow its service platform to reach consumers quickly. We're now operating nine fulfillment facilities, including our first on-demand DC opened in Nashville, Tennessee and our new Phoenix, Arizona integrated distribution and fulfillment center. With the addition of Phoenix, we are now operating five of our facilities fully integrated with our Delta Group distribution centers. This provides a seamless supply of garments, eliminates a significant amount of non-value-added costs, and further leverages our fixed facility costs. Our fully integrated geographically diverse fulfillment network is a strategic advantage to DTG2Go, and our customers are seeing the benefits.

During the quarter, we shipped to consumers in all 50 states and in over 130 countries worldwide. We're already making plans to further expand our network. In the future, we would anticipate there being more integrated facilities within Delta distribution centers, additional on-demand DC locations as well as an international footprint for DTG2Go, most likely targeting Canada and Europe.

Our customers continue to realize the benefits of the seamless supply chain of Delta Apparel garments within our on-demand model with DTG2Go's usage of Delta Catalog blanks, reaching a new record of approximately 45% utilization in the December 2020 quarter compared to 28% in the prior-year quarter. This trend is promising as it creates a more efficient operation, reducing garment costs for our customers and lowers working capital needs in the business.

Overall, DTG2Go had notable accomplishments during the quarter in key areas that should pay dividends for the business in the future. The pipeline of new customers is strong, and we are particularly excited about the expanding channels of distribution for digital print. We anticipate further investments being made in DTG2Go as the year progresses, with these investments focused on technology to expand service capabilities, our cross-sales channels and equipment and facilities to increase capacity and expand our network for the anticipated growth of the business.

I'll now move on to our Activewear division, which incorporates our Delta Catalog and Private Label businesses as well as the Softe Group. We continue to see a strong recovery in our Activewear business with year-over-year sales growth in our December quarter, overcoming the challenges caused by inventory constraints.

I want to remind everyone of the 15-week shutdown of our offshore manufacturing operations through COVID and the strong sales recovery as we progress through the back half of fiscal 2020, in which we achieved sales growth in our September quarter. This left us with \$31 million less of finished goods than a year ago to start fiscal 2021. Of this reduction, about \$27 million was in the Activewear business.

Thinking about this in an at-once shipping business that turns its finished goods inventory slightly over two times a year, the lower inventory levels at the start of the year created about a \$17 million sales hurdle for us in the first quarter. To more than overcome this hurdle and achieve a 1% sales growth in this business in the December quarter is quite remarkable. We are seeing notable strength in the retail licensing channel as well as in our recently launched e-retailer channel.

We also saw year-over-year growth of about 9% in our Private Label business. The customer diversification of our supply chain management and fulfillment business for major brands and retailers is serving us well, and we are encouraged by the new programs we have secured in the direct-to-retail channel and the future opportunities we see in the pipeline. The elevated success retailers have seen with our quick-turn, fully stocked graphic tee displays, gives us confidence we can expand this model with both our existing partners and into new retailers.

Our Delta Group integration strategies designed to foster sales growth and improve operating efficiencies are on schedule. The recently published 2021 Delta Activewear Catalog, that only features our Delta

products, including our more fashion-forward platinum collection, but also for the first time, includes our entire Soffe product line.

With the inclusion of Soffe, we've expanded our activewear and athleisure product categories with our military collection, including our famous Soffe Ranger Panty, our fundamentals and essentials, including the iconic Soffe short and our core layers, which includes warm ups and other layering products. We also highlight Intensity by Soffe, which focuses on outfitting the female athlete.

Complementing the Delta and Soffe brands, we provide our customers with a broad range of other product categories with nationally recognized brands. As previously announced and to further leverage the one-stop shop experience, we have merged our Delta Catalog and Soffe sales, customer service, marketing, merchandising and inventory planning teams to better position Soffe for growth and to reduce redundant costs.

During the December quarter, we began the transition of Soffe into our new Phoenix facility, which will now serve as Soffe's primary distribution center in addition to being a key Delta Catalog distribution location and DTG2Go digital print fulfillment center. I want to point out that we will be incurring incremental costs in the March quarter as we transition the distribution operations of Soffe to the Phoenix facility, having an estimated \$0.08 impact on EPS. Although the transition comes as a drag on EPS during fiscal 2021, we anticipate annual benefits from this initiative in the range of \$0.12 to \$0.15 beginning in fiscal 2022.

We successfully launched the first phase of Soffe's transition to the activewear ERP system in early January, and anticipate completing all phases of the integration by the end of fiscal 2021. As this final piece is completed, the Soffe brand will be fully merged within the activewear operations, creating opportunities to focus on the growth of the brand while benefiting from significant operating efficiency.

A critical ingredient to our success in the Delta Group segment for the remainder of the year will be replenishing inventory levels to meet the broad-based demand we're seeing in the market. The two hurricanes that made landfall in Honduras threw us another curveball. But as we have seen with so many things in the past, our manufacturing leadership team and employee base stepped up to the plate and handled this situation with confidence and ease.

We very quickly brought production back online and in total lost less than two weeks of production. You will see the \$1.3 million impact of this disruption on our financials in the other expense line. Our manufacturing and planning teams are focused on efficiently manufacturing and replenishing inventory levels and increasing capacity, ultimately expecting to achieve all-time record level production output in the back half of this fiscal year.

As you'll recall, with past increases in our manufacturing capacity, the benefits of these expansions are broad. The higher outputs leverage our fixed cost of the facilities, thereby lowering our overall product costs. In addition, as part of the expansion, we will be adding equipment that will broaden the capabilities we have to produce garments, thereby creating an even more flexible manufacturing platform. Our sales teams are excited about the new items they'll have next year to bring to the market.

Demand for the Salt Life brand remained strong during the fall season, resulting in a 3.4% growth for the December quarter compared to the prior year. Consumers sought out the Salt Life brand through direct-to-consumer channels, which grew more than 60% year-over-year in the quarter. In particular, we saw consumers continue to flock to our Salt Life-branded retail stores, with notable strength coming from the stores located in drivable vacation destinations.

Sales at our retail doors reached growth of over 150%, propelled both by double-digit comparable store sales growth as well as exceptional contributions from newer doors that have opened in Destin, Estero and Palm Beach Gardens, Florida. New for this holiday shopping season, we also operated three temporary

Salt Life pop-up stores in select markets, giving us the ability to test additional markets while also providing additional outlets to sell-through current inventory.

We believe the branded retail experience is an important element of making the Salt Life brand real for many consumers, and we plan to open additional Salt Life retail stores in the back half of fiscal 2021. Salt Life enthusiasts also actively engaged with the brand through all online channels during the quarter. We are seeing promising engagement metrics on saltlife.com such as increased traffic, duration and engagement and increased average order values. Importantly, over a third of the visitors to the site are new users.

Engagement of Salt Life consumers was across all aspects of social media with 13% more followers on Facebook and 50% more YouTube subscribers compared to the prior year. We also added over 150% more e-mail subscribers during the December 2020 quarter than we added in the December '19 quarter. We are proud of our marketing team's efforts to continue to engage with consumers through these channels and we're very encouraged by all the consumer enthusiasm about living a Salt Life.

As we prepare for the forthcoming spring and summer season, we see broad-based growth opportunities for the Salt Life brand. We will continue to engage with consumers online to grow e-commerce sales, we'll be opening additional branded retail doors in select markets, and we'll continue to partner with our wholesale customers to expand the floor space and enhance the Salt Life experience within their doors.

As you can see, we had a strong start to the year and believe the momentum will continue. For a few more details on our financial results for the December quarter: overall, we delivered sales of \$94.7 million, which was about 99% of the prior year level, with the Delta Group segment down 1.5%, partially offset by 2.3% growth in the Salt Life Group segment.

Gross margins improved 70 basis points from the prior year, increasing to 21.4% of net sales. Gross margins expanded in both business segments, driven by favorable product mix, lower raw material costs and manufacturing efficiencies and process improvements within the Delta Group segment and a stronger mix of direct-to-consumer sales in the Salt Life Group segment.

Selling, general and administrative expenses decreased \$2 million or 11.3% from cost reductions implemented during the pandemic that have continued, including lower personnel costs, reduced travel expenses and a more digitally focused sales and marketing strategy.

Operating income for the quarter increased 16% to \$3.1 million or 3.2% of sales compared to \$2.6 million or 2.8% of sales in the prior year. Excluding the \$1.3 million hurricane disruption cost, adjusted operating income was \$4.4 million or 4.7% of sales, an increase of \$1.8 million or up 67% from the prior year.

Net income for the December quarter was \$0.9 million or \$0.13 per diluted share, consistent with the same period in the prior year. Adjusting for the \$0.15 per diluted share impact of hurricane-related disruptions, adjusted net income was \$0.28 per diluted share, a 115% improvement compared to the prior year.

With regards to our balance sheet and liquidity, total inventory as of December 2020 was \$148.5 million, down \$48.8 million from a year ago.

The stronger-than-anticipated December quarter sales, along with the temporary hurricane disruptions, slowed the normal seasonal build of inventory during the quarter. We started the fiscal year with very low inventory levels, and our inventory is now even lower as we head towards the spring selling season. As previously discussed, we're ramping up production at an accelerated pace and expect to be producing at all-time record levels in the back half of the year.

Total net debt increased \$7.6 million from September 2020 to \$129.8 million at December 2020. Cash on hand and availability under our U.S. revolving credit facility totaled \$43.7 million at December. We spent

\$6.9 million on capital expenditures during the first quarter of fiscal 2021 compared to \$2.5 million a year ago.

We expect capital expenditures in fiscal 2021 to be about \$20 million and will be focused primarily on digital print expansion, manufacturing equipment to expand capacity and broaden our capabilities, additional Salt Life retail store openings, distribution expansion and business systems and technology advancements to enhance our operational efficiency.

Our better-than-expected first quarter performance positions us well to deliver against our goals for the year. We now anticipate sales to be about flat with last year for the first half, up from our prior expectations of sales declines in the mid-single digits, with inventory constraints being our biggest hurdle to achieving sales growth.

That being said, we have improved our processes to be successful, operating with less inventory on hand. And this, coupled with the accelerated ramp-up in manufacturing, should allow us to replenish inventory over time to service the demand we see in the marketplace and achieve sales growth in the back half of the year.

Our initiatives to achieve stronger gross margins and improved profitability are working and barring any shocks to the system, we should see sequential profitability improvements each quarter.

Let me now turn the call back to Bob for his final thoughts.

### **Robert Humphreys**

Thanks, Deb.

To summarize, our business is performing very well as we continue to ramp-up to record levels of production to keep up with the strong demand that we have in our pipeline and the future opportunities we see on the horizon. Our first quarter results, accelerating momentum and current balance sheet, which is stronger than ever, have positioned us well to deliver against our goals for the fiscal year.

Our results continue to demonstrate the strength of our fully integrated and diversified business model, the power of our Salt Life, authentic lifestyle brands and our unique manufacturing capabilities. Our sales, marketing and operational teams have done an outstanding job of pivoting our business to channels of distribution, less affected from the pandemic while continuing to build a foundation to take advantage of future growth opportunities as disruptive panels rebuild to a more normal level of business.

Once again, Delta Apparel's broad channels of distribution have served us well as historical business norms have been challenged. As disruptive as the pandemic was, we delivered on our promise of emerging as a stronger company, well positioned for many years of profitable growth.

Thank you. We appreciate your continued interest in and support of Delta Apparel. Operator, we'll now open up the call for questions.

### **Operator**

Ladies and gentlemen, if you do have any questions, please signal by pressing star, one on your telephone keypad. Please make sure your mute function turned off to allow us to receive that signal. Again, that's star, one for any questions.

First from Telsey Advisory Group, we have Dana Telsey. Please go ahead.

**Dana Telsey**

Good afternoon, everyone, and nice to see the progress that you're making on pivoting the business during this time. As you think about supply chain and the inventory levels, given what's happened out there and the constraints, can you just frame it, how do you think of inventory getting to where you need, by when should that be? How do you think of margins until we get to that time period? Thank you.

**Robert Humphreys**

Well, I think we will be inventory-constrained for the next nine months or so, best case with just normal market conditions. Our whole industry ships more in the spring and summer than it can produce, and so we normally pulldown inventories and then rebuild them in the fall. We will be operating, we believe, at full steam, but probably not catching up until really next fall.

I think there's going to be market constraints. Outside of just what we produce in Central America and in this country, there's constraints of shipping from China and other parts of Asia. For our type of apparel, I do believe we'll be relatively tight on inventory for a while. But we learned from that, and as Deb was saying earlier, learn how to turn our inventories more and service our customers with less inventory.

**Dana Telsey**

Thank you. How is the Hot Topic Program going and new customers for that business model?

**Deborah Merrill**

Well, Dana, as we mentioned on, we were able to, through that customer and other customers, other retailers that are currently using our existing platform, don't have their own on-demand DCs but utilizing our digital network that we have. We saw great success, as Bob mentioned. The units in that type of sales channel were four times as high as they were a year ago.

Again, we think that that means that things are pivoting in that direction, that they're seeing the benefit of this on-demand supply chain that are out there and really have only begun on that path. We believe the future, this is just the beginning of it, and it will continue to expand as more and more retailers get on board and more products get out there for delivery.

**Dana Telsey**

Thank you.

**Operator**

Moving on from DV Advisors, it looks like next question will come from Bill Fogel.

**Bill Fogel**

Hello and good afternoon. Can you hear me?

**Robert Humphreys**

Yes.

**Deborah Merrill**

Yes, we can.

**Bill Fogel**

Okay, great. Congratulations on a great quarter. It seems like you guys are firing on all cylinders, and the only issue is really product out there. Just to give me a feel for how strong the demand is, if you didn't have inventory constraints, how much supply do you think the market, in terms of growth in your revenues, is currently out? How much are you under-serving the market versus where it would be once you get up to full speed in terms of inventory replenishment?

**Robert Humphreys**

Well, it's always hard to judge that precisely, but my estimation is that we would be up high single digits, particularly in our basic Activewear business. I think the important thing to realize about that, there's still several channels of distribution that we'd only participate in that are well off their prior pandemic levels, anywhere from 40% to 70%.

Our hats really off to our sales and marketing people and partnered with our manufacturing people to not let that end in defeat and really go after these new channels of distribution that require different service levels and different ways of doing business and doing that quickly.

Our belief is that we'll keep big pieces of that business, but we are still expecting some traditional channels that are well below their prior year levels to rebound as business gets back to a more normal pace in this country.

**Bill Fogel**

Okay. Also, how is demand currently for the DTG2Go product? You had stated that you were in negotiations with several large companies that have a similar deal to the Hot Topic. How are those negotiations going? Or should we just assume that you're getting deals and you're not going to announce some, I don't know you're going to communicate that?

**Robert Humphreys**

Deb, do you want to speak to that?

**Deborah Merrill**

Yes, absolutely. As I mentioned, we are currently working with other retailers out there in the market. They're currently participating, utilizing our fulfillment network. I think one thing people have to keep in mind is that the on-demand DC has that as an offering that we are and would be willing to put things in their own distribution centers.

But as you can imagine, with a network of nine fulfillment facilities strategically located across the country, there's a lot of benefits of just simply using the network that we have, and we're certainly good with that as well.

I think announcements can come in the future, but as well as you can imagine, there's confidentiality with certain ones as well. We have to respect that. The good news is, is that it is an array. It is multiple different retailers that we are servicing right now. I think that that broad base will continue to get stronger as we go through the upcoming quarters.

**Bill Fogel**

Thank you. The final question before I jump back in the queue, if that's okay, is, what kind of growth are we hoping for that you could fulfill in the back half of the year, firstly? Secondly, in a recent conference, you



had noted in the near term, you have \$56 million in EBITDA potential as a combined business. By near term, what did you mean by that? Is that six to 12 months, 12 to 18 months? Thank you.

**Deborah Merrill**

I'll jump in. Yes, I'll jump in with a little bit on that. Do keep in mind, I mean, we talk about growth in the back half, when we get to the June quarter, certainly, that was the hardest hit quarter because of the pandemic and then as you roll through the fourth quarter, the fourth quarter, we were able to have sales growth in that fourth quarter of last year.

Some of that, of course, was the pent-up of not selling during the June quarter. It's certainly forecasted to be growth compared to the 2020 year, but we'll get kind of a little crooked quarter-to-quarter there in taking a look at that. But we think both of those quarters will be there historically strong quarters of the full fiscal year.

When we presented at the conference and for those of you that were on not that, that is on our website as well, that you can take a look at that. But that near-term in that presentation is really focused in that two- to three-year mark would be probably the timeline. Different pieces of it come in at different times, anywhere 18, 24, 36 months is the timeframe that we would be looking for that near-term goal.

**Bill Fogel**

Thank you very much, and congratulations again.

**Operator**

It looks like the next question will come from Wilen Management; we have Jamie Wilen.

**Jamie Wilen**

Nice quarter in the face of all those headwinds. A couple of questions on DTG2Go and the business model. When you talk about working with Hot Topic and looking at it from their perspective, they doubled their value, but you also mentioned they lowered their shipping costs, even though you were handling all that for them. How much does that impact—in addition to increased volume, how much does the lower cost impact for Hot Topic?

**Deborah Merrill**

Overall, I can't answer that. But when you think about every package, you ship a package with a shirt in it, I mean, you're probably on average talking about a \$5 package. The fact that now those packages instead of having an incremental \$5 for every package you ship out, now it's going in the same packages or other, that can add up quite significantly over the course of a year to them. I think that's a big dollar benefit.

Again, coupled with a better consumer experience to receive your package that you order online all together in one bag as opposed to them coming at different times, it's just a better overall consumer experience. I think they're very, very pleased with the path we're on. I think it's just beginning. We just launched that right before holiday, and so lots more to come on that. Ultimately, I think, with other retailers.

**Jamie Wilen**

Outstanding. You talked about the growth of DTG2Go, both domestically and abroad. I think you mentioned Canada and Europe moving international. Would that be in fully integrated warehouse facilities? When you look out two to three years, how many fully integrated facilities would you see domestically, internationally? What's your broad scope of where you can be in a few years?

**Deborah Merrill**

Well, I think there's a lot of—when you're talking about international, there's a lot of potential opportunities for us to bring both our Delta Catalog goods over internationally, along with our DTG2Go fulfillment, digital print and fulfillment facility. More to come on what that strategy will be, but I think there's opportunities across the board to go internationally with a full integrated solution. Some exciting things that can happen there.

Ultimately, I would think, in the U.S., the good news is, is that we have expansion capabilities within the nine facilities that we're currently operating in, but ultimately, I would see that we would have digital print in every distribution center that we have in the U.S. so that everyone was fully integrated to ultimately do the digital print on the Delta garments.

**Jamie Wilen**

Okay. Then overseas is the digital printing industry as well entrenched? Or what stage is it versus where we are in the states?

**Deborah Merrill**

Yes, I would say it is not as far advanced as it is in the United States, but their growth rates are higher. I think it's certainly coming. I think there's big opportunities for it, which is why, again, we're going to take advantage of that in due course. I think that certainly would have been earlier had it not been for the pandemic, and that slowed some things down. But I think here in short order, you'll see us moving in those directions.

**Jamie Wilen**

Excellent. Lastly, on the cost side. You reduced your SG&A by an incredibly significant percentage. Will you be able to maintain some of that? Or is that just one-time credit reduction cost that will start to creep up ahead of last year as the sales volume increases?

**Deborah Merrill**

Yes. I would say, certainly, as we mentioned, some of those costs are differences in the business. I think some are here to stay, and we'll be able to keep them. As I mentioned, we figured out ways to run our business even more efficiently than we were, moving a lot of our marketing and sales strategies more digitally, and we already were doing a lot digitally, but the continued migration of that and I think a lot of that is here to stay.

Now, are there some incremental costs that ultimately will come back into the business? Yes, I think there are as some of the more traditional things just in the industry come back and more of the country opens back up and different things like that. But I do believe that overall, we have figured out a way to operate our business and continue to grow with overall lower SG&A costs.

**Jamie Wilen**

Great job, exciting times ahead. Thank you.

**Deborah Merrill**

Thank you.

**Operator**

Once again, folks, star, one for any further questions.

Sir, it doesn't look like we have anything further from the audience at this point.

**Robert Humphreys**

Okay. Well, thank you, all, for joining us today, and we look forward to updating you on our second quarter results here in just a few months. Have a good day.

**Operator**

All right. Once again, ladies and gentlemen, that does conclude our call for today. We do appreciate you joining us. You may now disconnect.