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Synalloy Corporation NasdaqGM:SYNL

FQ3 2021 Earnings Call Transcripts

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Call Participants

EXECUTIVES

Aaron M. Tam
Chief Financial Officer

Benjamin L. Rosenzweig
Chairman of the Board

Christopher Gerald Hutter
Interim President, CEO & Director

ANALYSTS

Michael E. Hughes
SGF Capital Management, LP

ATTENDEES

Cody Cree
Gateway Group, Inc.

Unknown Attendee

Presentation

Operator

Good afternoon, everyone, and thank you for participating in today's conference call to discuss Synalloy's financial results for the third quarter ended September 30, 2021. Joining us today are Synalloy's Chairman of the Board; Ben Rosenzweig, Interim President and CEO; Chris Hutter; CFO, Aaron Tam; and the company's outside investor relations adviser, Cody Cree.

Following the remarks, we'll open the call for your questions. Before we go further, I would like to turn the call over to Mr. Cree as he reads the company's safe harbor statements within the meaning of the Private Securities Litigation Reform Act of 1995 that provides important cautions regarding forward-looking statements. Cody, please go ahead.

Cody Cree
Gateway Group, Inc.

Thanks, Jeff. Good afternoon, and thank you all for joining our conference call to discuss Synalloy's Third Quarter 2021 Financial Results. Before we continue, we would like to remind all participants that the discussion today may contain certain forward-looking statements pursuant to the safe harbor provisions of the federal securities laws. These statements are based on information currently available to us and are subject to various risks and uncertainties that could cause actual results to differ materially.

Synalloy advises all of those listening to this call to review the latest 10-Q and 10-K posted on its website for a summary of these risks and uncertainties. Synalloy does not undertake the responsibility to update any forward-looking statements. Further, the discussion today may include non-GAAP measures. In accordance with Regulation G, the company has reconciled these amounts back to the closest GAAP-based measurement. The reconciliations can be found in the earnings press release issued earlier today and posted on the Investors section of the company's website at Synalloy.com. Please note that this call is available for a replay via webcast link that is also posted on the Investors section of the company's website.

With that, I'd like to turn the call over to Synalloy's Chairman of the Board, Ben Rosenzweig. Ben?

Benjamin L. Rosenzweig
Chairman of the Board

Thank you, Cody, and good afternoon. Over the course of the past few months, I believe we've continued to make strides on our journey to create value for all of our stakeholders. We said from the beginning that we had full conviction in the attractive economic characteristics of our core businesses and that changing the leadership and strategic oversight could help us return to profitable growth.

I firmly believe the actions we've taken to date against the backdrop of favorable market conditions have enabled us to get a jump on our long-term goals. It won't always be as linear as it's been over the past few quarters. And the last thing you'll see from us is self-congratulations. But I do think it's important to quickly pause and examine the amount this team has accomplished in a short period of time.

Since beginning to implement our desired changes just over 1 year ago, we've been able to dramatically improve our liquidity position with the new credit facility. We've appointed new leaders across the entire organization with relevant industry experience and expertise. The business has produced multiple consecutive quarters of profitable growth, and we acquired a leading specialty chemicals manufacturer to bolster our chemicals platform. This amount of change is never easy, but a company of our size can't afford to be stagnant. And in order to capture the growth opportunities I see ahead of us, we'll need to continue to hustle and innovate.

I'd like to take a moment to highlight our recent acquisition of DanChem, which Chris will discuss in more detail. DanChem is a great example of an investment we're willing to make to ensure that we're solidifying our platforms with extended capabilities and bringing on additional executive talent. It is an ideal complement for similar chemicals, offering tremendous cross-selling opportunities across business processes that we know quite well. Additionally, DanChem brings over 120 employees, a management team with a track record of demonstrated growth and 3 state-of-the-art production plants on a large campus in Southern Virginia. With this combination, we've created one of the largest specialty chemicals contract manufacturers in the U.S. that is now primed for continued expansion.

We purchased DanChem for approximately 6x estimated 2021 EBITDA, which I believe is a compelling valuation in this market environment, especially considering all the additional long-term capabilities and knowledge this combination brings. The purchase was funded entirely through our existing credit facility, bringing our pro forma net leverage to just over 2x EBITDA on an LTM basis, inclusive of DanChem's earnings. Going forward, we'll continue to be opportunistic in deploying capital to strategic growth initiatives that meet our internal return thresholds, both organically and through acquisition. As we move through November and look to finish out our first full year, I remain excited and invigorated by the opportunity that sits in front of us today. I feel very confident in our team's ability to continue to drive efficiencies in our production processes while developing and expanding our commercial positioning. Although we still have much more to do in order to reach our ambitious goals, I firmly believe we've established a strong foundation for long-term success, and I look forward to what we'll accomplish.

Now I'd like to pass the call over to Chris and Aaron, and I'll be available later on to take any questions. Chris, over to you.

Christopher Gerald Hutter
Interim President, CEO & Director

Thanks, Ben, and thank you all for joining today's call. It's been about 1 year since I first joined Synalloy as Interim President and CEO, and I'm pleased with the progress we've made to date, including another quarter of strong results. While we're only just beginning to scratch the surface of success I believe this organization is capable of, I still want to thank everyone involved in helping us reach this point and continuing to execute on the strategies we have laid out.

During the third quarter, we experienced profitable growth across both our business segments with momentum from the first half of the year not slowing down. Customer demand maintained its strength amidst the strong pricing environment while our teams across the organization continued to drive operational efficiencies. As discussed on our last call, we remain committed to ongoing refinement of our throughputs to ensure our production schedule is aligned with customer demand.

We continued to work on this throughout the quarter, which had a positive impact on our customer relationships as well as our reputation in the market. Getting high-quality product out of the door in a timely fashion that meets or exceeds expectations is a critical component to our strategy. And as we work to meet our demand this quarter, our improving process has led to substantial year-over-year and sequential increases in net income, adjusted EBITDA and adjusted EBITDA margin.

Before we dive into each segment, I wanted to call out an important change we made to our executive team. In August, we appointed Aaron Tam as Chief Financial Officer. Aaron brings over 20 years of executive level experience in finance and accounting, having served in CFO roles across a variety of industries. Most recently, Aaron was the CFO of North Star Aerospace, a leading independent manufacturer of components and assemblies to the global aerospace industry, where he was instrumental in establishing a culture of metrics-based analysis, capital discipline, cash conversion and margin enhancement processes. We firmly believe his deep functional experience and technical knowledge in all aspects of corporate finance, financial planning and organizational development will be a valuable asset to Synalloy, and he has already started making significant impact across our organization.

Now I'm going to provide an operational review of each segment. Starting with Metals. This segment continued to benefit from the pricing environment that we experienced in the first half of the year. As we stated last quarter, our vision for this segment is to be the premier solution provider through best-in-class safety, quality and customer experience while creating value for all team members and stakeholders. And following this mission, we have been heavily focused on how to further optimize our operations to safely produce high-quality products while improving on-time delivery, efficiency and financial performance.

In order to achieve our objectives, our employees need to be engaged and feel like they are supported. First and foremost, we need to keep them safe. To that end, we've been working with SafeStart a leading safety company with a flagship training program that provides organizations around the world a more engaging and useful approach to keeping people safe. We are currently in the second phase of the program to further enhance the safety of our workplaces for our employees.

We are taking safety to the next level by reinforcing knowledge with practical techniques to help our employees stay more alert throughout their workday. Not only have we improved engagement, but we are also building an unmatched safety culture that is already leading to fewer injuries and delivering greater productivity. Making safety habits stick is tough, but our partnership with SafeStart along with the commitment from our employees has already delivered results, and there is a visible safety culture being built at each plant.

One other item to mention is the team's commitment to delivering product to our customers on time, on spec and damage free. When we embarked on this journey, we inherited an acceptance of late product deliveries justified by our backlog. This is not an acceptable position, and the team has increased our on-time delivery by 184% between January and September of this year. When you factor in the supply chain constraints the team has navigated, this is truly an amazing statistic that I'm proud to share, nice job team.

Looking forward, demand remains strong, and I believe we are well positioned to capitalize on that demand. For next year, we are monitoring both longer-term headwinds and opportunities that could emerge in our end markets. In particular, if Section 232 tariffs are lifted, there could be a large influx of international competing products that could impact our pricing power from current levels. Provided one of our pillars is to be competitive in any commodity pricing environment, we remain laser-focused on operational efficiency and building control levers that would allow us to flex up or down to protect our margins.

Though we are optimistic about our ability to achieve profitable growth, we continue to experience supply chain and labor constraints that are affecting businesses across the world, including our suppliers and customers. To help mitigate these issues, it will be critical to demonstrate operational excellence in the areas that we can control while tightly managing our working capital.

All that being said, we also believe there are micro events on the horizon that could have a positive impact on our businesses, one being the infrastructure bill that Congress just passed. We have a lot of customers that are looking to build their next plant or expand their operations. And with the infrastructure bill, it could be a meaningful uptick to our pipe and tube businesses. While I'm certainly not in a position to predict the timing of spending or try to quantify its impact, it is something we are closely monitoring.

Overall, on the business development front, our commercial team has an excellent strategy of expanding our footprint and demonstrating our value proposition. Our presence is being noticed, and we are seeing exceptional growth opportunities, not only with end users but with our distributor customer base too. We strongly believe in the foundation we have laid for this segment and remain confident in the longer-term growth prospects for this as part of our overall business.

Now I'm going to turn it over to Chemicals. As we discussed on our last call, we implemented price increases across the board to help offset operational challenges this segment was experiencing, including labor constraints and product shipment delays related to trucking shortages. The full effect of these price increases can be seen in the segment's net sales growth of 32% compared to the prior year period. However, it was still not enough to overcome the impact these challenges caused to our adjusted EBITDA margin despite growing our adjusted EBITDA dollars.

We have higher expectations for our Chemicals segment and are continuing to take a proactive approach to better realize the embedded value within Synalloy Chemicals. One major step forward we made was -- subsequent to last quarter was the acquisition of DanChem, which is a leading full-service specialty chemicals contract manufacturer that we believe will accelerate our product development capabilities and provide entrants into new end markets and applications while deepening our ability to serve our existing customers. With a 55-acre campus in Virginia that has 3 production facilities and both the largest fleet of horizontal reactors in the industry, this acquisition makes Synalloy Chemicals one of the largest specialty chemical contract manufacturers in the U.S.

Additionally, the acquisition brings to our Chemicals segment an exceptional team and a stable customer base that consists of notable blue-chip companies and a higher rate of recurring revenue. We expect income to generate approximately $30 million in net sales with an approximate 18% adjusted EBITDA margin in 2021, which is closer to what we believe could be the long-term margin profile of our entire chemicals business as we improve our operational excellence.

As we look at this acquisition from a strategic perspective, DanChem brings some of our industry's leading engineering and process development capabilities with a proven track record of rapidly developing products for commercialization. Additionally, the production plants and horizontal reactors I mentioned earlier, drastically accelerate the long-term investment plans we had for the segment, providing differentiated assets, rail access and meaningful site acreage for continued expansion. With this acquisition, we'll have a much larger presence in target end markets and applications that we didn't previously have exposure to. Combining our current customers with the additional customer relationships that we will inherit through DanChem, we'll now be able to offer best-in-class products across a much broader spectrum of industries, including CASE, comprised of coatings, adhesives, sealants and elastomers; HI&I, household, industrial and institutional additives; and agricultural chemistries.

We have already begun onboarding the DanChem team, and I look forward to leveraging our combined manufacturing engineering platform to continue performing critical chemistries for our customers while driving profitable growth. As we look at the broader picture, we're still far from being the company we believe Synalloy has the potential to be. But as a very large shareholder and a leader of the organization, I am pleased with the progress that we are making and firmly believe in the foundation we are establishing.

I want to close by thanking all of our dedicated and hard-working employees, along with recognizing the continued support from all of our stakeholders and partners in this journey. I'd now like to turn it over to our new CFO, Aaron Tam, Aaron, the floor is yours.

Aaron M. Tam
Chief Financial Officer

Thank you, Chris, and good afternoon, everyone. It's an absolute pleasure to be joining you all today in my first earnings call as the company's CFO. Having been in the seat for the past 2 months, I've been able to get a good read on the entire organization to better understand our strengths and weaknesses. By serving in leadership roles in similar situations throughout my career, I have the utmost confidence in our plans to drive consistent sales and margin growth, and I look forward to helping build long-term value.

Now let's jump into our results. Third quarter 2021 sales increased 45% to $86.2 million compared to $59.3 million in the prior year period. The increase was attributable to strong commodities pricing and robust customer demand driving growth across both the Metals and Chemicals segments. Gross profit increased significantly to $18 million compared to $5 million in the year ago quarter, while gross margin more than doubled to 20.9% from 8.4% in the prior year period. The improvement in both gross profit and gross profit margin was attributable to the pricing power achieved as a result of outsized customer demand along with operational efficiencies that accompanied the elevated order volumes.

Net income in the third quarter increased considerably to $8.2 million or $0.87 diluted earnings per share compared to a net loss of $10.5 million or $0.16 diluted loss per share for the third quarter of 2020. Excluding a $10.7 million noncash goodwill impairment charge in the third quarter of 2020, net income in the third quarter of 2021 increased $8.1 million over the prior year period.

Adjusted EBITDA in the third quarter increased nearly tenfolds to $14.8 million and adjusted EBITDA margin also improved 1,440 basis points to 17.2% both compared to the prior year period. Lastly, our liquidity position as of September 30, 2021, total debt was $49 million compared to $61.4 million as of December 31, 2020, with $56.0 million of borrowing capacity under our revolving credit facility compared to $11 million at December 31, 2020.
With that, I'll now turn it back over to the operator for Q&A. Jeff?

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of [David Siegfried.]

Unknown Attendee

Congratulations, Ben, first and that was a fantastic quarter.

Benjamin L. Rosenzweig
Chairman of the Board

Thanks, David.

Unknown Attendee

So with the acquisition, you've increased Chemicals segment revenue by 1/3. Is the expectation and the plan as that happens that you will be able to allow the earnings to become more stable for the entire company? Is that kind of the thinking?

Christopher Gerald Hutter
Interim President, CEO & Director

I think we see significant margin growth in mobility within the Chemicals segment that tends to be less commodity driven from pricing environment. So I see a longer-term growth projection in our Chemicals segment as we balance out the portfolio.

Unknown Attendee

Got it. So it was mentioned at the DanChem operating results, an 18% adjusted EBITDA margin. So this quarter, Chemicals -- Synalloy chemicals was about 11%. So how long would it take for the 2 kind of work together and integrate along for them to get their EBITDA margins up to that 18% level? Is that something that can happen in a couple of quarters?

Christopher Gerald Hutter
Interim President, CEO & Director

I would say we're already working on it and have uncovered opportunities for accelerated margin enhancement. How that flows through the P&L and down to earnings, I think that's going to be seen. There is some investment we have to make on engineering and capabilities we have at our existing chemicals businesses that DanChem happens to have, but we're going to leverage resources and share knowledge. So versus us trying to do it from a greenfield, I think you'll see a ramp in accelerated achievement of some margin pickup.

Unknown Attendee

Good to hear. The 55 acres that's now owned by Synalloy. Is that going to be developed? Or is that something that can be like a sales leaseback where you're able to pull some cash out of that, too?

Christopher Gerald Hutter
Interim President, CEO & Director

I'm not a fan of sale leasebacks. I would say the operational flexibility you have owning assets, where you have significant capital investments, gives you much more flexibility owning the asset and expanding as needed versus being held hostage to a landlord. So I believe we will continue to own that asset. Obviously, if you own the asset, it gives you capital flexibility down the road to balance out a capital stack, but the business model DanChem has had has been very unique with partnering with certain OEMs to have capital from third parties invested in the facility to create the infrastructure, and we plan to replicate that model going forward.

Unknown Attendee

Okay. Good to hear. You alluded to in the comments that steel prices maybe at some point may begin to fall and margins may begin to compress. So what do you have in mind to mitigate that risk beyond the operational efficiencies that you've been able to create?

Christopher Gerald Hutter
Interim President, CEO & Director

The margin impact you see from the metals business really is caused primarily from either being in a long inventory position or a short inventory position. The goal is to transform our business to a true mill structure where we are the producing mill of welded pipe and tube primarily and distribute to customer orders. Historically, the business was built on create product based on what you think you can have throughput on your mill side and create inventory. Our goal is to produce to order to eliminate the commodity price risk. If you look back in time, our gross margins, if you take the inventory fluctuations out, we have relatively consistent gross margins. So as we're transforming the business to a producer versus a stocking distributor, it's going to lessen the effect of significant swings in the commodity pricing environment.

Unknown Attendee

Got it. Makes sense. The recent rollbacks of the European tariffs on steel and aluminum, is -- how will that affect Synalloy? Is that something to be determined so or...

Christopher Gerald Hutter
Interim President, CEO & Director

Yes. When you look at stainless material coming in, and there's really not much heavy wall material coming in, it's really -- we don't see any impact from those tariffs. And it wasn't a meaningful amount of material, I think 3 million tons and nothing directly related to our end markets.

Unknown Attendee

Got it. Okay. One last question. So January 2022 is I think the third of your 4 liability earnouts drops off. And if I did the math correctly, you'll be freeing up close to about $1 million a quarter. Any idea what you're going to be doing with that extra cash?

Christopher Gerald Hutter
Interim President, CEO & Director

I would pay down debt. Aaron, I think you would concur.

Aaron M. Tam
Chief Financial Officer

Yes, that's the plan.

Unknown Attendee

Okay. Very good. And by the way, good excellent [indiscernible] last quarter. So good job, guys.

Christopher Gerald Hutter
Interim President, CEO & Director

Thanks, David. Good to hear from you.

Operator

[Operator Instructions] Your next question comes from the line of Mike Hughes from SGF Capital.

Michael E. Hughes
SGF Capital Management, LP

A couple on the DanChem acquisition. One, you acquired the corporate entity not the assets. Is that correct?

Christopher Gerald Hutter
Interim President, CEO & Director

We acquired the assets along with the entity, correct.

Michael E. Hughes
SGF Capital Management, LP

Okay. So are there any legacy environmental liabilities to think about for that business that you've assumed?

Christopher Gerald Hutter
Interim President, CEO & Director

Yes. We had full diligence done on the environmental side and no unexpected liabilities came up.

Michael E. Hughes
SGF Capital Management, LP

Okay. And then it seems like that business is performing very well this year. Just wondering how sustainable that is. So kind of what did the margins look at like at DanChem in '19 and '20? And what was the level of revenue for those years?

Christopher Gerald Hutter
Interim President, CEO & Director

I don't know.

Benjamin L. Rosenzweig
Chairman of the Board

It's been growing. Yes. No, I mean it's been a growth story. I mean, I think that DanChem has been owned by a private equity firm, and they brought in leadership to turn the business around post acquisition, as you would expect. And so it has been a growth story that we do believe it's sustainable with the processes, investments that they've made in the business. So it has been growing over the past 3 years both from a top line and from a margin perspective, but we feel confident that it is sustainable.

Michael E. Hughes
SGF Capital Management, LP

Okay. Okay. And then the last caller had asked about the excess cash flow that you'll be generating, and you indicated you'd be paying down debt. So what -- do you still have an appetite for additional M&A either on the chemical side or the metal side?

Benjamin L. Rosenzweig
Chairman of the Board

Yes, we do.

Christopher Gerald Hutter
Interim President, CEO & Director

Yes, absolutely.

Michael E. Hughes
SGF Capital Management, LP

And is there one preference, I think you have a pretty good market share on the Metals side.

Benjamin L. Rosenzweig
Chairman of the Board

We're going to be opportunistic.

Christopher Gerald Hutter
Interim President, CEO & Director

I'll just say the same thing.

Benjamin L. Rosenzweig
Chairman of the Board

Yes.

Michael E. Hughes
SGF Capital Management, LP

Okay. Is there an active pipeline?

Christopher Gerald Hutter
Interim President, CEO & Director

Yes.

Michael E. Hughes
SGF Capital Management, LP

Okay. And then where would you take leverage to? And how do you think about leverage? And what I mean by that -- this seems like an exceptional quarter. I'm not sure how sustainable it is. So when you think about the leverage profile, would you haircut the current quarter or just maybe speak to the sustainability of this quarter along with the leverage question?

Benjamin L. Rosenzweig
Chairman of the Board

Well, I'll start with the leverage and then Chris can talk about the sustainability. But I expect that we'll predominantly utilize debt in the near term given its cost right now while still maintaining a prudent level of leverage. And I can't give you a specific number as to what prudent would be. Rather, it's more of a dynamic target that takes -- it does take into account the cyclicality of certain portions of our earnings as well as the near-term cash flow expectations that we have because we do -- we're not going to comment on some of the longer-term cyclical natures of our business and what our earnings might do.

We do have some level of visibility into our short-term cash flow projections and earnings estimation. So Aaron told you about the availability that we ended the quarter with. We feel confident that, that's a pretty good place. We do know that we're going to continue to generate cash. And as Chris said, the first use of that cash is going to be to pay down debt. So we feel confident in the near term that we will be utilizing debt and maintaining a pretty low level of leverage. But should we be confronted with larger opportunities outside of our leverage comfort zone, we will consider using our equity if we determine that the specific use of that capital meaningfully exceeds its cost.

Michael E. Hughes
SGF Capital Management, LP

Okay. And then...

Christopher Gerald Hutter
Interim President, CEO & Director

And to touch on your earnings question, when you look at the, what I'll call, underperformance of Synalloy chemicals, I think there is a road map to sustaining a similar level of earnings that we saw in this quarter.

Michael E. Hughes
SGF Capital Management, LP

Okay. Great. So just a couple of detailed questions now. The corporate expense was up by roughly $650,000 sequentially. Can you just speak to that?

Aaron M. Tam
Chief Financial Officer

Yes, Chris, I can speak that we had some severance expenses relating to some prior executives. That was the biggest driver of that variance.

Michael E. Hughes
SGF Capital Management, LP

Okay. And then the provision for losses on inventory was $1.9 million in the quarter, if you look at the cash flow statement backed it into for the quarter I assume that's for the Metals division, but why was it so large this quarter? I guess that's actually dinged earnings pretty meaningfully.

Christopher Gerald Hutter
Interim President, CEO & Director

That's said I think -- yes, Aaron, I'll just anecdotally speak to that. That's getting basically scrapping inventory based on the old methodology of just produce pipe to produce pipe versus produce pipe to a customer order. So...

Michael E. Hughes
SGF Capital Management, LP

Okay. When you weighed on EBITDA by 1 -- go ahead. I apologize.

Christopher Gerald Hutter
Interim President, CEO & Director

No, it weighed on earnings. And it was carrying significantly aged material, which is sitting on the floor unsalable.

Michael E. Hughes
SGF Capital Management, LP

Okay. So that should not repeat in the fourth quarter. Is that fair with everything you know right now?

Christopher Gerald Hutter
Interim President, CEO & Director

That's a fair statement.

Michael E. Hughes
SGF Capital Management, LP

Okay. And then just the concept of becoming a producer versus a stocking distributor I think is a great idea. But I guess it largely depends on what your competitors are willing to do, right? Because you'd be at a competitive disadvantage if they're sitting on a lot of inventory, their delivery times are going to be a lot quicker than yours. So you just kind of speak to the competitive dynamic and maybe my thoughts on it are just wrong.

Christopher Gerald Hutter
Interim President, CEO & Director

No. I mean the competitive -- that's a very good question. The competitive dynamic is -- we sell primarily to 2 large users. One is OEMs in general, so end users and the other is stocking distributors. We don't want to compete with our stocking distributors. And that's what happens when -- if you build an inventory up, what you're supposed to be producing or Synalloy or Bristol, specialty pipe and tube, ASTI is producing to a distributor stocking need, whether that be [indiscernible] Reliance, Olympic, [indiscernible] you go down the list. So our throughput through our plants is built off of that customer need. We don't want to be viewed as a competitor to that customer. And if you start stocking inventory up, well, what happens is then you go to master distributors and you have to basically give your inventory away at very poor and weak pricing.

Michael E. Hughes
SGF Capital Management, LP

Okay. That makes sense. And then just one last question. I guess this is for Ben. Chris has been at the company for almost a year now and he's still the interim CEO. So can you just address that issue?

Benjamin L. Rosenzweig
Chairman of the Board

Yes. I mean I think that's something that we discuss at length very frequently at the Board level. Obviously, we're happy with the overall performance of the team and how it's functioning. And so that's something that the Board is considering in real time.

Operator

At this time, this concludes our question-and-answer session. I would now like to turn the call back over to Mr. Hutter for closing remarks.

Christopher Gerald Hutter
Interim President, CEO & Director

Thank you, Jeff. Again, we'd like to thank everyone for listening to today's call, and we look forward to speaking with you again when we report our fourth quarter and full year 2021 results. Thanks again. Have a great day.

OperatorLadies and gentlemen, this does conclude our teleconference. You may disconnect your lines at this time. Thank you for your participation.