Transcription for AGTHIA

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Corporate Participants

Iqbal Hamzah
Agthia Group – CEO

Conference Call Participants

Sandeep Srinivas
Duet

Fatema Al Doseri
Sico

Methad Hamdy Ali
Trade Research

Raed Al Momani
Capital Investments

Nada Amin
EFG Hermes

Presentation

Operator
Ladies and gentlemen, welcome to the Agthia Q2 2015 results conference call. I will now hand over to our host, Mr Iqbal Hamzah, CEO. Sir, please go ahead.

Iqbal Hamzah
Good afternoon everybody and thank you for joining us today for our results conference call for the first half of this year. Before I proceed, I would like to introduce Fatih Yeldan, who has been appointed as the CFO of Agthia, and I have with me Ozgur Serin, who has been appointed as the Investor Relations & Corporate Communications Director.

You should already have the presentation but it is also available on our website under the Investor Centre tab. You will need to select "Financial Calendar" and you will find today's presentation as well as the Directors' Report and Financial Statements.

To being today's call, I will first give you some highlights and insights of Agthia's performance in H1. I will then go over some of our focus areas for the rest of the year before opening the call to questions.

Let me begin with the highlight for the period. As you can see, our Q2 performance, based on the strong start we had in the first three months of this year, delivering a promising first half of the year, sales grew AED 911 million and the profit grows to AED 125 million, both registering reversed double digit growth at 11% and 20% respectively. We have improved our margin by an impressive 340 basis points, which have thus delivered profit growth ahead of sales. Our balance sheet remains in a healthy position, with cash and bank balances standing AED 652 million as of end June.

On the business side, we have mostly achieved our agenda for Q2. We are focused on and increased our distribution penetration, especially in Dubai and Northern Emirates, where we had room to grow. We maintained our market leadership in Al Ain water, our flagship brand. Our [sectors implemented] full price increases in the retail trade, effective April.

On the product side, our capacity upgrades in poultry and large animal feed lines have been completed while expansion in Turkey is progressing on track. Our business in Egypt has slowed down a bit in Q2, largely attributable to ongoing region instability taking its toll on us as well as our customers and suppliers. We have defined actions for the full year. All in all, we are on track.

Let us now look at financials in a bit more detail. Net sales of AED 476 million in Q2 carried us to AED 911 million at the end of H1, reflecting a strong 11% growth versus a year ago. Our core businesses continued their contribution, with the water and beverage segment leading the way. Higher sales and improved margins propelled the Company's net profit to advance at almost double the pace of sales growth. This is a reflection of our strategy to improve gross margins, underpinning the trust that our customers and consumers have in our products and keeping us on track to achieve our ambitious targets.

Now let's deep-dive into our divisional performances. Agri-business net sales reached AED 560 million for H1, delivering a 5% growth compared to the same period last year. Net profit surged 12% from a year earlier to AED 127 million as both our Grand Mills flour and the Agrivita animal feed businesses delivered robust double digit net profit growth.

Net sales of Grand Mills flour grew by 9% in the period. Note that including wheat trading growth becomes 15%. This was driven by securing new customers in the Northern Emirates, distribution gains in both modern trade and lower trade outlets, high export sales and improved penetration of recently launched Arabic bread flour in the Northern Emirates, which together contributed a 13% increase in net profit. Our new retail flour packaging line, which will enable greater visibility of our products, is in progress.

Agrivita feed – total net sales were almost flat versus last year, depressed by the impact of a three month delay in the government tender for concentrated feed. Nevertheless, the profit increased by 11%, driven by a 2% improvement in gross margins resulting from competitive grain sourcing and favourable mix.

The outlook for H2 is positive, with concentrated feed sales gradually starting from July onwards in addition to our efforts to increase the number of municipality outlets and the introduction in selected outlets of a second shift sales operation in response to customer demand. Production capacity upgrades for poultry and large animal lines have been completed. In line with the growth of the business, we are also working to expand grain silo storage capacity by an additional 50,000 metric tons.

Our consumer business continued its robust upward momentum as it recorded sales for the period of AED 351 million, a solid 21% increase from the same period last year. Profit jumped 60% to AED 36 million, propelled by our water and beverage business.

Water and beverage net sales for the period reached AED 297 million, a 25% increase YoY. The strong performance was driven by distribution recovery and gains, particularly in the traditional channel in the Northern Emirates and Abu Dhabi Emirates. A Ministry-approved price increase was implemented in April in the retail trade. Although negatively impacted by a 19% devaluation of the Turkish lira, water and beverage profit grew by 35% due to higher volumes sold and lower PET cost and usage.

Al Ain water has maintained its leadership position during the period, with volume share at 25%, as per AC Nielsen, at the end of May. Sales of Al Ain 5-gallon bulk water rose 30% versus the previous year, driven by distribution growth in the municipality channel and further penetration into Dubai and Northern Emirates.

Penetration of Alpin natural spring water from Turkey is progressing well in the UAE. Sales in the UAE more than tripled during the period. Capri Sun business performance continues to show good recovery with sales of AED 37 million, up 10% versus last year.

Moving to food, our food segment achieved net sales of AED 54 million during the first half of the year, a modest growth of 2% from the same period last year. The loss for the period was mainly attributed to the greenfield frozen baked category and our dairy business.

The dairy performance is improving following a change in strategy. Gross margins have significantly improved to 25% from only 4% in the same period last year, while losses have been reduced by 40% versus last year. During the period, we have rationalised plain yoghurt SKUs and its distribution and launched premium, margin-enhancing Yoplait DELIGHT, an indulgent dessert offered in three unique flavours. Tomato paste sales for the period were AED 31 million, down 5% versus last year due to a strategic decision to actively discontinue loss-making SKUs in the export market.

Our frozen baked business remains a challenge. A strategic decision has been made to take over the direct distribution of our frozen baked portfolio to increase and expedite distribution capabilities. Third party frozen baked business development continues as an essential complement to our Grand Mills Bakeries portfolio. Monty's Bakehouse product development and line commissioning is on track, with full product trials and launch commencing in Q3. In the meantime, I am pleased to share that the first Monty's Bakehouse contract was secured with a leading airline. We are also looking to extend our portfolio into retail with ambient products.

Our Egyptian business grew by 2% for the period, with political issues, particularly in Libya, causing the cancellation of some orders to that market in H1. We expect to re-engage with our distributors and recoup these lost orders in H2. B2C sales in Egypt will commence in Q3, following the appointment of a network of sub-distributors in Cairo and the Delta Region.

Now the volumes. Overall, all categories are growing. Some are outgrowing the market and leading our growth too, like 27% volume growth in bottled water more than triple the growth of the market in the UAE. Flour volume is growing by 17%, including wheat trading. Nevertheless, at 9% without the trading volume, it is still more than double the category growth. The strong growth in these two core categories is a reflection of our focus on distribution, visibility and availability. Yoplait delivered a strong 17% growth while animal feed registered a flat volume versus a year ago because of a delayed government tender that was subsequently secured in July.

On brand health, we have a very healthy picture in front of us. In all major categories, we are gaining share versus last year. It is particularly worth mentioning, once again, the performance in bottled water and retail flour. Share growths were ahead of the market growth in both of them.

In summary, we had made a strong start of the year and in Q2 we have successfully built on it. Our business and financial fundamentals are strong and we have a solid balance sheet to support our expansion plans. We are positive and expecting another year of superior business performance. We are wholeheartedly embracing our strategies and delivering on them as seen in the financial performance to date.

We are investing in the business, as you can clearly see from the projects that are already completed and/or in progress for completion in the near term. In order to meet current and future demand across our key PET bottled water ranges, we will be installing a second high-speed bottling line I the UAE. This will increase our capacity a further 40% once production commences in Q2 next year. Meanwhile, our warehouse expansion project in Al Ain is on track to be completed this quarter while new warehouse expansion in Abu Dhabi is in progress as we endeavour to increase forward coverage of stock, thereby improving our service level. We are also investing in securing additional grain storage of around 50,000 tons, which reflects a 40% increase in capacity, and the expansion in Turkey is promising and is on track.

All in all, I am confident that we have the right strategy and platform for our respective businesses in place to further accelerate our growth and returns to our shareholders.

With that, I will now turn the call over to the operator for receiving questions. Thank you.

Question and Answer Session

Operator
Ladies and gentlemen, I would like to remind you, if you wish to ask a question, please press 01 on your telephone keypad. Our first question comes from Sandeep Srinivas from Duet. Please begin.

Sandeep Srinivas
Hi there. Thanks for hosting the call. I have some questions on the margin. If I look at your agri-business margin on a QoQ basis, it's a tad lighter than Q1. Can you just tell me where is this coming from?

Iqbal Hamzah
It's not a big variance there. It's a slight variance in terms of margin and basically it is coming from the flour business where, because of the mix, we are expanding the distribution in Northern Emirates and the distribution comes at a cost and don't forget that in H2 we have this trading of wheat as well as the export business, which has a low margin. So all this together has impacted slightly the gross margin.

Sandeep Srinivas
Alright. Can you just give me a split of your branded business and wholesale business?

Iqbal Hamzah
What do you mean by split of branded?

Sandeep Srinivas
There is your wholesale business and the branded business...

Iqbal Hamzah
You mean how much is the trading business within the agri-business? That's what you mean?

Sandeep Srinivas
Yes.

Iqbal Hamzah
The trading business - how much is the numbers? *(Off-mic. discussion regarding numbers)...* It's around 10,000 tons within the P&L. In terms of value, it will be around AED 11 million.

Sandeep Srinivas
Alright. And when I look at your YoY margin performance, which has been really good, can you just tell me what were the drivers? Just in terms of lower raw material costs, increase in prices, where is this coming from?

Iqbal Hamzah
The margin performance is basically coming from: (1) lower input cost; (2) the improvement in efficiency (what I mean is a better extraction rate delivered by our plant); and the cost reductions... Don't forget one thing because this is relevant for H2 because in H1 the government tender business for the municipality is not there, which is at a lower margin... So moving forward, you should expect the margin to be slightly impacted because this has a lower margin.

Sandeep Srinivas
You mentioned three factors. One was the lower input cost, the second was improvement in efficiency. The third one, I'm sorry, I missed it out.

Iqbal Hamzah
Improvement in efficiency, the improvement in extraction rate and the last one is because in H1 there is no government tender business, which is at a lower margin, whereas last year H1 this business was there. The tender business is a single digit margin.

Sandeep Srinivas
Alright, thanks. Just last one on the water business – the improvement in the margin would have come from: (1) your increase in prices; and (2) you mentioned cheaper PET. So if you can quantify how much of this improvement in margin is coming from actually increase in price and how much is coming from a lower input cost?

Iqbal Hamzah
Okay. The improvement in margins is coming from price increases is not that much; price increases is coming to around AED 2 million. The bulk of the improvement is coming from high-speed line efficiency which was not there. In the first half of last year we did not have this high-speed line. It didn't come into production in H1 so there was no production out of this bottling line. The lower usage of PET because our bottles are now 15% less gram-wise, less weight, 15%, and the PET prices have dropped as well. The main reason for the improvement is the efficiency of the high-speed line, drop in PET prices and 15% lower PET usage.

Sandeep Srinivas
Alright, because I understand you only bought your PET exposure for 2015, earlier this year, right?

Iqbal Hamzah
Last year December we bought it, yes.

Sandeep Srinivas
But then you are still exposed to PET prices even after that?

Iqbal Hamzah
We are not. That is why we are getting this benefit.

Sandeep Srinivas
Last year's ... the price of PET is in last quarter.

Iqbal Hamzah
The price at which we bought.

Sandeep Srinivas
Yes.

Iqbal Hamzah
For what we bought, it has not come down to that level yet. Once we bought, the prices went up by 15-20%. Then it dropped but it has not dropped yet at that level. So the price that we bought at is still at a low level.

Sandeep Srinivas
Alright. My last question is on your international business – if you can just give us an update on your Saudi business. When are you launching your products?

Iqbal Hamzah
As I mentioned in my previous calls, the Saudi plan, we plan to enter in the second half of this year with our flour. We have identified the distributors. The discussion on terms and conditions is progressing and, if everything goes as per the plan, the shipments should start in Q4.

Sandeep Srinivas
Q4, okay. I promise this is my last question on your cash conversion cycle. I see that your inventory base has gone up. Can you just let me know why that has gone up?

Iqbal Hamzah
Inventory base versus last year, it has gone up by 10 days, around 10 days, and that is basically a reflection of the PET which we bought for the whole

year. Also we bought the milk powder for the whole year, so we have stock till the end of the year for PET, for milk and also we bought grains. The benefit of this you can see in the P&L.

Sandeep Srinivas
Thanks for your time.

Iqbal Hamzah
Pleasure.

Operator
Our next question is from Fatema Al Doseri from Sico. Please go ahead.

Fatema Al Doseri
Hi, Iqbal. How are you?

Iqbal Hamzah
Hi, Fatema. How are you doing?

Fatema Al Doseri
Good. I have a few questions. The first one is can I have a breakdown of the revenues, revenue growth? How much of it is volume and how much of it is price increase? That's my first question. Should I ask them all or should I go one-by-one?

Iqbal Hamzah
Let's go one-by-one, if you don't mind. In terms of your first question on the breakdown of how much is volume and price versus last year, Fatih is looking at the numbers. Just bear with us. In terms of pricing, on the pricing line versus last year, in pricing we lost 12 million. It is not that we lost at the bottom line this 12 million. Because the global grain prices dropped versus last year, so our input cost was down as well. So net-net there was no impact at the profits but, if you look at how much is the favourable cost overall, it was 46 million.

So you can take it this way – on the pricing –on the volume mix, on the sales side is 100 million and the profit 22 million, volume, favourable volume. Favourable cost – 46 million. Negative pricing, unfavourable pricing – 12 million, but it's not really unfavourable. As I mentioned, the price versus last year has dropped because of the drop of grain prices, so it doesn't flow to the bottom line. To look at the net cost impact, you have to offset this 12 million versus the 46 million favourable cost.

Fatema Al Doseri
Okay. Now in terms of your grain supply, are you secured for the rest of the year?

Iqbal Hamzah
For grains?

Fatema Al Doseri
Yes.

Iqbal Hamzah
For PET we are secured until November, for milk we are secured and for grains we are secured for total year.

Fatema Al Doseri
Is there a decline in Northern Emirates prices? Have you noticed anything yet?

Iqbal Hamzah
Yes, the Northern Emirates prices, July has declined by 6% for flour. 6% decline in flour prices and why this decline? It's because of the decline in grain prices.

Fatema Al Doseri
You are exporting more of your flour, right? *(Audio)...*

Iqbal Hamzah
We started at a very low margin.

Fatema Al Doseri
What's the margin difference like compared to how much you make in the year if...

Iqbal Hamzah
Big difference. On export, we make single digits and on domestic market, on flour we make on an average 35%, but it helps in overhead absorption and grain purchases because then, volume-wise, we can negotiate and as well to keep our factory going.

Fatema Al Doseri
There has been talk about the UAE Government big to removing subsidies, for example fuel. Have there been any rumours or talks about the flour and feed subsidies?

Iqbal Hamzah
Not yet. We didn't hear anything yet on the removal or reduction in subsidy. No, I don't have the answer. We didn't hear anything.

Fatema Al Doseri
Okay. It seems that you are still getting impacted by the devaluation of the Turkish lira. Are you thinking *(audio)*... to hedge that exposure?

Iqbal Hamzah
You see the Turkish exposure in the context of total group is very minimal. We did look at hedging the currency there but the hedging cost is very high. It doesn't make sense. It will end up the same. If we keep it floating or we hedge, at the end of the day, it costs the same. So we decided to keep it...

Fatema Al Doseri
Okay.

Iqbal Hamzah
What we did to reduce the burden on our Turkish entity, we have given them recently, two weeks back, an inter-company loan.

Fatema Al Doseri
To the Turkish entity?

Iqbal Hamzah
Yes, we have given a Turkish lira loan because if you give dollar...

Fatema Al Doseri
Yes, okay. I think these are my only questions, thank you.

Operator
Our next question is from Methad Hamdy Ali from Trade Research. Please go ahead.

Methad Hamdy Ali
Good afternoon everybody and congratulations for the very strong *(audio)...* I have a couple of questions regarding the feed segment actually. First we see in the presentation that you have managed to produce around 317,000 tons the first half of the current year. We may expect it to more than double by the end of the year as there is a disclosure in the presentation that you *(audio)...* a major government contract ... so we could expect the demand to exceed our add-on production capacity of 608,000 maybe by 10 or 20%. So how do you expect to supply for ... demand when exceeded use capacity by that fast? And also I am interested to know about your plans to expand the capacity of this over-utilised segment. Are we going through acquisition or greenfield?

Iqbal Hamzah
Okay. Year-to-date, you mentioned 317,000 tons. Going forward, the second half of the year, yes, we do expect a better picture. Now your question would be your capacity would be 600 tons – how are you going to deliver more than 600? Bear in mind that within this number there is material supplies as well, which are the ingredients of the whole feed. Some farms, they buy from us ingredients, like they buy barley or they buy corn, which doesn't go through the process but it's part of this volume and which is around, on an annualized basis, 100,000 tons. If we achieve 600,000 tons total year, you have to take out from there 100,000, so basically the real finished feed is 500.

In terms of capacity increase, we have recently done the capacity increase and we believe this increase should be enough until next year. Beyond next year, we have to – we are actually working on it, on the options, which option to choose, because we have options here, either to go greenfield or to expanding the existing facility. Why there is a delay in making a decision – because we are waiting the response from the port authorities whether they would be able to provide us additional land.

Methad Hamdy Ali
Yes. If that is secured, how much do you expect to increase in the capacity if you are granted the land that you want?

Iqbal Hamzah
If we are granted the land and if we decide to increase the capacity within the existing facility, we would be looking at about 150,000 tons.

Methad Hamdy Ali
150?

Iqbal Hamzah
Yes. Recently, we have increased the capacity by 70,000 tons already, which is up and running.

Methad Hamdy Ali
I can see this, yes. Thank you very much, Mr Iqbal.

Iqbal Hamzah
Pleasure.

Operator
Our next question is from Sandeep Srinivas from Duet. Please go ahead.

Sandeep Srinivas
Hi, just one question. Since this fuel subsidy is withdrawn in UAE *(audio)...*

Iqbal Hamzah
This will have a positive impact on our financials because our distribution trucks use diesel and there will be a reduction in diesel prices. The increase

will be on the petrol side. Diesel there will be a reduction. So net-net – we do have some trucks, probably 5% of the trucks, which run on petrol but 95% of our trucks are diesel-based, so net-net we will benefit. As well we will benefit – this Fatih just told me – we will benefit because our boiler in the feed business, in the feed side, uses diesel so there will be benefits there as well in the production.

Sandeep Srinivas
Alright, yes, thank you.

Operator
Our next question is from Raed Al Momani from Capital Investments. Please go ahead.

Raed Al Momani
Hello everybody. Actually, most of my questions have already been answered. I have just one more question. It seems that you didn't fully pass the prices – increase your prices on bottled water. So I'm just wondering when is the next time for you to increase the prices there also as well. Do you see any other competition in that side from other companies?

Iqbal Hamzah
Sorry, I missed your second question.

Raed Al Momani
Okay, the second question – because, you know, the drop to all material costs, especially the PET, so do you see any competition from the rivals in the market?

Iqbal Hamzah
On the price increase on the bottled water, what we have implemented is in the retail trade, meaning on 45% of our business we have increased the prices. As I mentioned in the last call, we had to do very tactical price increases because our competition, although they increased their price but they are passing on higher margins to the trade to get the shelving space and visibility. So what we did, we increased the price but we did a promotion and it was the promotion of *(audio)...* 25th year. So we used this opportunity to launch this promotion for a couple of months and then we will see how it goes and gradually we will remove.

In terms of other channels, we are studying it. It's not that easy because the biggest challenge is the municipality, the government business, and the rest are the institutional business, which are either contract-based, mostly contract-based, so we cannot increase the prices before the contract expires and also there is a price war which is going on with our competition. Why – because now Al Ain has overtaken the competition. Al Ain is the market leader, so what the competition is trying to do is to get the lost share and they are doing heavy price discounts to get the volume. So we are very careful on that front.

Raed Al Momani
So we should not expect an increase in prices further...

Iqbal Hamzah
In this Q3, no. Q3 you should not expect any price increase.

Raed Al Momani
Okay. One more question regarding the increase in oil prices. Should we expect the disposable income to decrease in the UAE and would that impact your company, the demand side?

Iqbal Hamzah
I don't think so because, you know, the products we produce and sell, those are necessities – the water, the flour, animals have to eat. So we are not expecting that there will be an impact on our volume. If there is an impact, it will be a minor impact, not a major one.

Raed Al Momani
Okay. One last question regarding the tenders and what you said – most of the tenders should come the next half of this year. I am just wondering, according to some local media, the UAE Government would like to cut spending by 4%. I'm just wondering would this impact the government projects going forward, especially on your side?

Iqbal Hamzah
I don't think that it is going to impact the government tender because this is for the local farms belonging to the local [uni] national and I doubt there will

be any change in terms of either pricing at this point of time or volume and, on the other hand, the government is encouraging local production.

Raed Al Momani
I see. That's good for you. And any guidance for full year? That's my last question, thanks in advance.

Iqbal Hamzah
Listen, I mean we have performed very well because the H1 result is quite good. We are going to [bring on] the sectors we had so far. The outlook is positive and we are looking for other growth here and, of course, our aim, our target will be to maintain the growth which we have delivered so far.

Raed Al Momani
Alright, thank you.

Iqbal Hamzah
Pleasure.

Operator
Ladies and gentlemen, I would like to remind you, if you have any further questions, please press 01 on your telephone keypad. Thank you for holding until we have our next question. Our next question is from Nada Amin from EFG Hermes. Please go ahead.

Nada Amin
Hello.

Iqbal Hamzah
Hi, Nada.

Nada Amin
Hi. How are you? I hope everything is well.

Iqbal Hamzah
I'm very well. Nice to hear.

Nada Amin
Yes, it is good to catch up. I just have a very small question on interest income. I have noticed that the figure has declined YoY and cash position remains pretty strong. So has there been a change in the interest rate? Do you expect to see this as more of a sustainable number for the year?

Iqbal Hamzah
Well, actually, in the interest income side, if I'm not wrong (Fatih is checking it), there is a negative exchange impact from Turkey that has brought it down. It is a AED 3 million negative impact and as well, you are right, because the surplus fund we have, we are investing in fixed deposit. The fixed deposit rate versus last year has significantly dropped. Last year we were getting 2% plus on fixed deposits, which has dropped now to below 1%. So it is a combination of reduction in interest rate on fixed deposits and the negative exchange impact in Turkey.

Nada Amin
Okay, thank you very much.

Iqbal Hamzah
Pleasure.

Operator
Our next question is from Fatema Al Doseri from Sico. Please go ahead.

Fatema Al Doseri
I have one more question regarding the *(audio)...*

Iqbal Hamzah
I can't hear you very clearly.

Fatema Al Doseri
Can you hear me now?

Iqbal Hamzah
No, not really.

Fatema Al Doseri
Is this any better? Hello?

Iqbal Hamzah
Okay, carry on, I will try to catch.

Fatema Al Doseri
Basically, it's about the flour feed margin. You are supposed to get the contract, government contract, in the second half of the year, which tends to use lower margins. So with the government contract and lower Northern Emirates prices, what do you expect the margins to be in the second half of the year for flour feed gross margins?

Iqbal Hamzah
The second half of the year you should expect to see a slight drop, not a big drop, a slight drop in margins in the second half of the year but the drop in flour prices in the Northern Emirates, it doesn't have an impact on our margins because at the same time the grain prices have dropped, so it washes off. The only impact it would be is the government contract, the contract tender business, which has a single digit margin, which will impact the overall margin in H2.

Fatema Al Doseri
Okay, thanks.

Operator
Ladies and gentlemen, I would like to remind you, if you wish to ask any further questions, please press 01 on your telephone keypad. Thank you for holding. Our next question is from Raed Al Momani from Capital Invest. Please go ahead.

Raed Al Momani
Just a quick follow-up question regarding your Turkey operation. I'm just wondering, considering the current circumstances with Turkey with the huge

devaluation in this currency, would this impact your future expansion plan there?

Iqbal Hamzah
There is no immediate future plan of expansion in Turkey. First we have to stabilise what we have. We have already invested in the expansion of one of the lines, which will come into production in September. This is the latest commitment or investment we have done in Turkey and next year there is no plan for any further expansion. Hopefully, by that time, the situation I hope will improve in Turkey.

Raed Al Momani
Yes, hopefully. Thank you.

Operator
We have no further questions. Back to you, Mr Iqbal Hamzah, on the conclusion.

Iqbal Hamzah
I would like to thank all of you for attending this conference call and looking forward to see you in Q3 for our quarterly results. Thank you very much and bye.

Operator
Ladies and gentlemen, this concludes today's conference call. Thank you all for your participation. You may now disconnect.