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Marriott Vacations Worldwide Corp. (VAC)

Q4 2016 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to Marriott Vacations Worldwide Fourth Quarter 2016 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to turn the conference over to your host Mr. Jeff Hansen, Vice President, Investor Relations.

Jeff Hansen

Vice President-Investor Relations, Marriott Vacations Worldwide Corp.

Thank you, Rob. And welcome everyone to the Marriott Vacations Worldwide fourth quarter 2016 earnings conference call. I am joined today by Steve Weisz, President and CEO, and John Geller, Executive Vice President and CFO.

I do need to remind everyone that many of our comments today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments.

Forward-looking statements in the press release that we issued this morning, along with our comments on this call, are effective only today, February 23, 2017, and will not be updated as actual events unfold. Throughout the call, we will make references to non-GAAP financial information. You can find a reconciliation of non-GAAP financial measures referred to in our remarks in the schedules attached to our press release, as well as the Investor Relations page on our website at ir.mvwc.com.

I will now turn the call over to Steve Weisz, President and CEO of Marriott Vacations Worldwide.

Stephen P. Weisz

President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

Thanks, Jeff. Good morning, everyone, and thank you for joining our fourth quarter earnings call. This morning, I'll spend a few moments on our 2016 results, focusing on our outstanding fourth quarter performance highlighted by our contract sales and adjusted EBITDA growth. I'll then walk through how we expect to build on that momentum to achieve our projected growth in 2017.

In the fourth quarter, company contract sales were $234.3 million, up almost 15% and adjusted EBITDA was $95 million, an increase of almost 30% over last year. Each of which reflect the strongest results we've experienced since becoming a public company.

These results would have been even more impressive, if not for the impact from Hurricane Matthew, which hit the East Coast in October of last year. For us, the majority of the impact was felt primarily in two locations, Hilton Head Island and Myrtle Beach, both of which were shut down for about three weeks.

Adjusting for the tours missed at these locations, our tour flow would've been up over 7% in the quarter. We estimate these loss tours represent $8 million in additional contract sales volume, equating to roughly $3.6 million of adjusted EBITDA. After considering this impact, contract sales growth in the quarter would have been almost 20% and adjusted EBITDA would've been just under $100 million.

In North America, contract sales grew 14.9% driven by a 12.7% improvement in VPG to $3,563 and a 3.4% improvement in tour flow. VPG growth benefited from a higher price per contract and a 1.3 point improvement in closing efficiency, as well as a slightly easier comparison to the prior year.

These improvements highlight the success of our growth strategy, primarily related to new sales locations and new marketing channels. As it relates to our new destinations, we've opened five new sales centers in North America since last spring, most recently Waikoloa in September and our South Beach location in late December.

Most impactful though were our locations which opened earlier in the year in New York, Washington, D.C. and San Diego, which have contributed significantly to the top-line in just a short amount of time. Our growth in the quarter was also driven by our Call Transfer and Universal Encore programs which continue to drive higher tour flow. Both owner and first-time buyer tour flow improved over last year, as we are continuing to enhance our existing marketing channels and promotions.

In the quarter, sales to first-time buyers were up over 7% compared to the fourth quarter of 2015. This was not only driven by the success of these programs, but also our day-to-day efforts to increase tours from our transient renters, as well as through our hotel linkage programs aimed at first-time buyers.

Shifting to the Asia-Pacific segment. Contract sales improved by over 50% in the fourth quarter. This was primarily due to the continued ramp-up of our new location in Surfers Paradise, Australia, which opened in the spring of 2016. We are excited about the growth that this destination brings and are equally excited for our new location in Bali that we plan to open later this year.

In addition to these previously announced locations we are actively looking for even more opportunities to add to our Asia-Pacific portfolio to broaden our footprint in this important region and to continue to drive future sales growth.

On that note, let me shift our thoughts for 2017 and how the strong performance from the fourth quarter is expected to continue throughout this year. We expect to generate 9% to 15% contract sales growth this year as our top line growth strategy continues to accelerate. Our new sales centers are expected to continue to ramp up from their strong start in 2016. In addition, our second larger sales center in New York opened in late January and is off to a great start.

Our sales center in South Beach opened at the end of December. And in Asia-Pacific we're on track to open our Bali sales location later this year. As we said over the last year, a new sales center takes roughly two years to three years to realize its full potential. And as a reminder, all of our new locations are in their first year.

Once they ramp up to their stabilized annual sales potential, we expect these seven locations will drive upwards of $200 million of annual contract sales volume. For that reason, we expect 2017 to be a strong growth year as these new sites progress toward that goal.

Growth in our same-store environment remains a solid contributor as well as we continue to focus on ramping up our new marketing channels with solid expectations for a continued improvement in both our Call Transfer and Universal Encore programs. We already have 25% more tours from these programs on the books for this year than we had at the beginning of 2016. And remember, throughout the year we will continue to optimize VPG as we drive this tour growth.

Before I hand things over to John, I'd like to take a step back and reflect on how we got here. Back in May of 2015 we held an Analyst Day in New York to layout our strategy of top line growth through new sales locations and new marketing programs. We were very open when we said it takes time to find just the right resort destination with strong on-site sales potential. And likewise new tour programs can take time to grow and optimize.

Today, less than two years later, I'm very proud of what we've accomplished. 2016 was a transformational year for us as we began to realize the growth strategy we laid out at that Analyst Day. Six new destinations are opened and growing rapidly and our tour pipeline is as strong as ever. Thanks to our new marketing programs providing incremental growth to our solid base of tour generation. But just as important, we've been able to drive this growth with the capital efficient business model, which has allowed us to return over $200 million of capital to our shareholders in the past year, and we expect to generate another $160 million to $180 million of adjusted free cash flow in 2017. I couldn't be more proud of the work our team did to get us to this point. And I'm confident in our ability to deliver throughout 2017.

With that, I'll turn the call over to John to provide a more detailed look at our fourth quarter results and outlook for the year. John.

John E. Geller, Jr.

Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.

Thank you, Steve. And good morning, everyone. I couldn't be more pleased with our strong performance in the fourth quarter. With contract sales growth of nearly 15%, adjusted EBITDA totaled $95 million, $21.5 million higher than the fourth quarter of 2015.

As a reminder, we don't adjust our results for the timing impact of revenue reportability. As you may recall, on our third quarter earnings we were impacted by $12 million of unfavorable revenue reportability. While we did see $6.4 million of reportability comeback in the fourth quarter, it was a couple million dollars below our expectations. However, we do expect to get the benefit in future quarters.

Our fourth quarter contract sales and adjusted EBITDA reflect the best quarterly performance since becoming a public company just over five years ago. And I'm happy to say that all parts of the business contributed to our improvement in adjusted EBITDA.

Development margin grew $9.8 million. Financing margin was higher by $1.7 million. Our resort management business grew by $7.3 million. And lastly, our results benefited from $4.1 million of lower G&A cost, resulting from cost saving initiatives as well as lower variable compensation related expenses.

Company adjusted development margin increased $9.3 million to $47.4 million, and adjusted development margin percentage grew 2.2 points to 22.3%.

In our North America segment, adjusted development margin increased $9.7 million to $47.1 million in the fourth quarter. And adjusted development margin percentage was 24.8%, an increase of 2.7 points from the fourth quarter of 2015. This increase reflected a 390 basis point improvement from product costs, primarily from the continued success of our inventory repurchase program, partially offset by a 120 basis point increase in marketing and sales costs resulting primarily from continued ramp-up costs associated with our new sales distributions.

In our financing business, revenues net of related expenses were $24.3 million, up $1.7 million or almost 8% from the fourth quarter of last year. These results reflect the impact of our growing notes receivable balance resulting from both higher contract sales volumes as well as increased financing propensity levels.

In the fourth quarter, financing propensity increased 5 percentage points to 62%. And for the full year, financing propensity increased 10 points to roughly 60%. Our notes receivable portfolio also continues to perform very well as delinquency rates are currently near historic lows, and the average FICO scores of our buyers in the fourth quarter was 740.

In our rental business, excluding the impact of the Surfers Paradise hotel sold in 2016, total company rental revenues were $82.9 million, and rental revenues net of expenses were $13.8 million, up slightly from the prior year. Rental occupancy increased 2.3 percentage points, offset by a 1.8% decline in transient rental rates and the impact of an almost 20% increase in room nights utilized to fulfill our Call Transfer and Universal Encore tour arrivals.

In addition, the fourth quarter of 2015 benefited from roughly $2 million related to the final cleanup payment of the pre-spin Marriott Rewards liability.

In our resort management and other services business, excluding the impact of the Surfers Paradise hotel sold in 2016, results improved $7.3 million or 21% to $42.3 million in the quarter.

These results reflected higher fees for managing our portfolio of resorts and improved exchange company activity from the addition of our new managed destinations, as well as a cumulative increase in owners enrolled in our points programs.

In 2016, we generated adjusted free cash flow of a $159 million, right at the top end of our guidance range, highlighting the benefits of our capital efficient business model. And we returned $212 million of capital to shareholders throughout the year, including payment of quarterly dividends totaling $34.2 million and the repurchase of nearly 3 million shares of our common stock for a $177.8 million or an average price per share of $63.09.

Moving to our balance sheet, at the end of the quarter cash and cash equivalents totaled $147.1 million. We also had approximately a $103 million of gross vacation ownership notes receivable eligible for securitization and a $197 million in available debt capacity under our $200 million revolving credit facility.

During the quarter, we redeemed the $40 million of preferred stock. Our total gross debt outstanding at the end of the quarter was $746.4 million, all but $8 million of which is non-recourse debt associated with securitized notes.

Lastly, before I shift to 2017, let me take a moment to update you on the status of our insurance claim related to Hurricane Matthew. Steve walked you through the high-level impacts of this powerful storm, which we estimate negatively impacted sales by $8 million, and adjusted EBITDA by approximately $3.6 million. At this point, we continue to work with our insurance providers and expect to submit a claim in the next few months covering our business interruption losses as well as property damage mainly experienced by our owners' associations.

We expect any insurance reimbursement for this claim to be received sometime in 2017. However, because we would exclude any reimbursement [ph] from (14:59) reporting adjusted EBITDA, we are not including any potential insurance reimbursement in our 2017 guidance.

Now, let me turn to our outlook for 2017. The new sales distributions we talked about throughout 2016 are all open, including South Beach and the additional larger location in New York. The next location we plan to open later this year is our new property in Bali. Our Universal Encore and Call Transfer programs continue to grow, driving year-over-year improvement in VPG and first-time buyers.

So with all this in place and based on what we have seen to-date in 2017, we expect our company contract sales to grow 9% to 15% for the full year.

Shifting to adjusted EBITDA, we expect 2017 adjusted EBITDA of between $276 million and $291 million, which represents a growth of over $22 million at the midpoint of the range. The majority of this growth should come from development margin driven by higher contract sales.

In our resort management and other services business results should continue their steady growth as we increase our stable and recurring management fee and exchange company revenues.

In our financing business, we expect results to improve year-over-year due to the benefit of our slightly higher financing propensity on higher contract sales.

And we expect our rental results to be roughly flat as we continue to utilize our inventory to fulfill marketing package activations to drive future contract sales. This growth will be offset by higher G&A including costs associated with new technology to grow our customer facing digital platforms, as well as other costs necessary to support the growth of our business. As always, we will continue to be mindful of our spending and manage our costs wherever possible to drive strong earnings growth.

Finally, we will continue to focus on maximizing our adjusted free cash flow. Our capital efficient business model should allow us to drive top line growth, while still delivering adjusted free cash flow for 2017 of between $160 million and $180 million.

When thinking about the quarterly spreads of our results in 2017, remember that we've changed from 13 period reporting calendar to a 12-month reporting calendar beginning in 2017. This means we have roughly one additional week of financial results in each of the first three quarters with the offset coming in the fourth quarter.

While we will not be restating our quarterly 2016 financial results to mirror the 2017 reporting, we expect to provide the impact that the change in reporting calendar has on our year-over-year contract sales growth.

We finished the year with one of our strongest quarters to-date as a public company, with our new distributions opening and growing, and our new marketing programs continuing to ramp up very nicely. VPG is solid as we begin the year and tour activations are well ahead of the same point in 2016, all of which gives us confidence that 2017 will be a tremendous year for us.

As always, we appreciate your interest in Marriott Vacations Worldwide. And with that, we will open the call up for Q&A. Rob?

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] Our first question is from Chris Agnew with MKM Partners. Please proceed with your question.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Good morning, Chris.

Christopher Agnew
Analyst, MKM Partners LLC

Q

Thanks very much. Good morning.

John E. Geller, Jr.
Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.

A

Good morning.

Christopher Agnew
Analyst, MKM Partners LLC

Q

First question, and I think maybe a little bit difficult. Your contract sales growth, EBITDA growth and free cash flow, I mean, there's last year you had noisy comps, you're also – you're ramping the sales centers. Can you help us a little bit particularly with the change in your reporting calendar, think about the cadence through the year and I don't know if there's different answers for those three line items I'm thinking about? Thank you.

John E. Geller, Jr.
Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.

A

Yeah. Chris, it's John. I think, as you think about EBITDA or the earnings [ph] front (19:45), you're going to have an extra week, if you will, in the first three quarters of earnings. Since we didn't close the books last year on those calendar – quarterly dates, it's hard for us to really restate what those are going to be. So you'd have to think about it is really to add about an extra week of earnings. We'll try and help you out on the calls but it's hard to kind of estimate what that would be. And then you're going to have three weeks less, if you will, in the fourth quarter because you're making it up. So obviously for the full year it will balance back out.

From a contract sales, we will try to – obviously we don't provide guidance, we will be able to give comparable contract sales growth. Well, actually have the extra week for actual reporting, but because our systems will allow us to kind of capture that extra week in the first three quarters and vice versa in the fourth quarter, we should be able to give you some comparable growth metrics there. I mean, as you think about contract sales for the year, I mean we expect strong growth in all quarters in terms of growth as you think about our guidance. Obviously, we probably have slightly easier comps in the first half of the year as the new sales centers we're opening and then start to ramp, the comps will get a little bit more difficult as we move through the year.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Yeah. And Chris, let me – this is Steve. Let me see if I can add to that. You'll recall in the – particularly in the first quarter of 2015, it was – we were disappointed with what we put on the board in terms of contract sales growth on a year-over-year basis. So, that becomes a – did I say 2015, sorry, should have said 2016, getting my ears screwed up. And we – and so we do have an easier comp in the first quarter than we had last year, plus we hadn't opened any new sales centers in the first quarter of last year.

Obviously those sales centers are now open. Now, with that in mind, some have a little longer in the tooth than others. For instance, we opened our D.C. sales center, call it April, and then we added those others as they came through the year, but like Waikoloa and as I mentioned even in South Beach, which opened in the last week of December, that certainly wouldn't have helped at all.

So, we've got those things happening and as a result, so and – of course when you put almost 15% of the board for the fourth quarter of 2016 that becomes a little tougher comp to go after. So, kind of summing it up, I would say that the first half of the year on a percentage growth basis may be a little stronger than the second half. But it still all comes out in a wash that 9% to 15% that we've given you as our guidance.

Christopher Agnew
Analyst, MKM Partners LLC

Q

Okay. Thank you. And then, just thinking about, you've now net cash on your balance sheet. Inarguably that suboptimal-ish business model should support a turn or at least a debt and then another year of strong free cash flow. Can you walk us through what thoughts around uses of cash, I mean, with continued buybacks, at what point you run into have to think about stock liquidity considerations?

And then you've talked for a number of years, I mean, this is linked about M&A, what are your latest thoughts around opportunities around M&A? Thanks.

John E. Geller, Jr.
Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.

A

Sure. I think our thinking around capital allocation, Chris, hasn't changed. I mean, first and foremost we're always looking to use excess cash flow to grow the business. And when we don't have opportunities there, we're going to continue to return the capital to shareholders like we have.

In terms of liquidity, we've obviously repurchased a significant amount of our share since we started our capital return program a few years back. If anything, liquidity is even higher. Market cap continues to grow. So, obviously [ph] it's something (23:56) we'll keep an eye on. But the company is much larger. We see more liquidity today in terms of volume than we did before we started actually repurchasing shares. So, I haven't seen that and I don't see it here in the near term being an issue.

I'll let Steve take the second part.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.
A

Yeah, on the M&A front, I mean, we're going to sound a bit like a broken record here, but it's only because it's how we feel. We always continue to look at various opportunities that present themselves. As I've mentioned before, we have taken a deep dive into several different opportunities, but for whatever reason didn't actually consummate any kind of a deal. We will continue to do that.

As John mentioned, first and foremost we should use our cash to find ways to grow the business, either organically or through some sort of M&A kind of activity. Absent that, then we believe that there is no – there is no credit given to us for carrying around a lot of cash in our balance sheet, so we will return that to shareholders.

Christopher Agnew
Analyst, MKM Partners LLC
Q

Excellent. That's very clear. Thank you.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.
A

Thank you.

John E. Geller, Jr.
Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.
A

Thanks.

Operator: Our next question comes from Patrick Scholes with SunTrust Robinson. Please proceed with your question.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.
A

Hi, Patrick.

Patrick Scholes
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Good morning. Good morning.

John E. Geller, Jr.
Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.
A

Good morning.

Patrick Scholes
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Just wanted to check on something. I had in my notes here that your prior guidance was $420 million per the seven – per sales center-- per new sales center. I mean, I believe on the call you said now seven locations, $200 million per year, which equates to $28 million. Are you taking that expectation up?

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.
A

No, I actually, Patrick, it's simply a function of the $20 million plus or minus was kind of simple average, some are lower and some are higher. Obviously the addition of a second sales center in New York City, which we believe will be a better than average helps drive that average north. But no, we're not – we're not making any meaningful change to the kind of the simple arithmetic of roughly $20 million a sales center.

Patrick Scholes
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Okay. That's it. Thank you.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.
A

Thank you.

Operator: Our next question comes from David Katz with Telsey Group. Please proceed with your question.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.
A

Hi, David.

David Katz
Analyst, Telsey Advisory Group LLC
Q

Hi, good morning, all.

John E. Geller, Jr.
Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.
A

Thanks.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.
A

Good morning.

David Katz
Analyst, Telsey Advisory Group LLC
Q

So, I wanted to ask kind of a bigger picture a longer term strategic question with – which is we've gone through, let's say the past four quarters or six quarters, where we've added a bunch of sales centers, and now we're going to reap the benefits of those, how are you thinking longer term about when you might start to encounter another wave of spending followed by – is there any rhythm to it, or how are you thinking about or we thinking about adding one or two here or there at a time as we move along, paint us a picture, if you would?

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Sure. Well, David, I mean, I think – I think I may have said this one time before, we really didn't strategically plan to add six new locations in one year. By virtue of the way in which deals came together and the timing of same that kind of all kind of we created the – the perfect storm of opportunity of having to open six in one year. Ideally, we'd like to add one, two, three kind of on a yearly basis. We have a very active development pipeline that we continue to look at both in North America and in the Asia Pacific region. And I would expect us to continue to add along those lines. Unfortunately, one of the things that happens with deals is you can't always control the exact timing of same. So, you could have a situation where some things kind of bunch-up together. But that's certainly not our intent.

David Katz
Analyst, Telsey Advisory Group LLC

Q

Understood. Now the – my other question is, and we'll probably ask this many more times as well everyone else, your dealings with Marriott are obviously a fundamental aspect of your business. Have you had any discussions or observed any changes or altered any strategies with respect to how you're dealing with Marriott since the closing of their deal? And is there any updated thought we can have as it relates to the loyalty program and your access to it?

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Well, as you might imagine, we have an ongoing dialog with Marriott as our licensor and we continue to have very good relationships with them. Obviously there are deep ties between our management team and those in Bethesda because of the long tenure that we enjoy here with our staff and we're all part of Marriott before that.

As you may recall, even last fall, we worked with Marriott to help them in their desires to try to link the two frequency programs together, that being Marriott Rewards and Starwood Preferred Guest to allow some ability to have people take their earning experience in each program and apply them as separately going across the system. That needed some help from us to help make that happen given some of our exclusivity arrangements that we have on the loyalty program side.

Having said all that, Arne Sorenson has been very forthcoming when he said that the intent is over time is to eventually blend these two programs into one program. And we will continue to work collaboratively with them to try to make sure that they can get to where we want to-- they want to get to, and we can preserve the value that we have in our license agreement.

David Katz
Analyst, Telsey Advisory Group LLC

Q

Right. And if I can just follow that up, I mean, I appreciate all of that, but where is it – where is it that you would like to get to? I mean, obviously you would like to – I assume you would like to have rights to the entire combined loyalty program, and presumably this is not I would say the same thing, right, I assume...

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Well...

David Katz
Analyst, Telsey Advisory Group LLC

Q

Is that – is that correct or?

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Yeah. Well, no. I think you've articulated our position clearly. And quite frankly [indiscernible] (30:23) of our license agreement, that's what's stated in our license agreement that we have exclusive space to the Marriott Rewards program or a successor program.

With that said, I can't speak for ILG and what their intentions are. I know they have some rights to the SPG program but I am uncertain, to be honest, as to whether or not they have any continuing rights in the event that the SPG program is no longer viable or available.

So, with all that said, I – we're going to do everything we can to try to make sure that we can be helpful to Marriott in what they want to do, but we are not going to give up anything of value on our end.

David Katz
Analyst, Telsey Advisory Group LLC

Q

Okay. That's [ph] the spirit (31:04). Thank you very much.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

A

Thank you.

John E. Geller, Jr.
Executive Vice President and Chief Financial Officer, Marriott Vacations Worldwide Corp.

A

Thanks.

Operator: Ladies and gentlemen, we have reached the end of the question-and-answer session. At this time, I'd like to turn the call back to Steve Weisz for closing comments.

Stephen P. Weisz
President, Chief Executive Officer & Director, Marriott Vacations Worldwide Corp.

Thank you very much, Rob. So, let me close by repeating my excitement for how we ended the year with the strongest quarter-over-quarter contract sales growth and EBITDA performance we've had as a public company. And more importantly, the momentum that we have carried into 2017. I certainly like what I have seen so far this year and look forward to discussing our results on future calls. And finally, to everyone on the call and your families, enjoy your next vacation. Thank you very much.

Operator: This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation. And have a great day.