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Marriott Vacations Worldwide Corp. (VAC)

Q2 2017 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to Marriott Vacations Worldwide Second Quarter 2017 Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host for today's call, Jeff Hansen, Vice President of Investor Relations. Jeff, you may begin.

Jeff Hansen
Vice President, Investor Relations, Marriott Vacations Worldwide Corp.

Thank you, Rob, and welcome to the Marriott Vacations Worldwide second quarter 2017 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, August 3, 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 second quarter earnings call. This morning, I'll walk through our 2017 second quarter results and I'm proud to report that it is our third quarter in a row delivering mid-teens contract sales growth. During the call, I'll provide an update on the drivers of this outstanding performance as well as my thoughts on how the second quarter has improved our outlook for the full year. I'll then hand the call over to John to provide a more detailed view of our results.

In the second quarter, company contract sales grew almost $44 million or over 26% to nearly $210 million, and adjusted EBITDA was $78 million, up $14 million, or 21% from the second quarter of 2016. As I touched on last quarter, with our change this year to a 12-month reporting calendar, the first three quarters will each include roughly one additional week of operating results. So, our year-over-year growth will not be comparable as reported.

Adjusting our prior year contract sales for the estimated impact of the additional week, contract sales were up over 18% versus the second quarter of 2016. This growth was driven by our North America segment, which on the same adjusted basis increased 22% in the quarter including a 5.8% increase in VPG to $3,579. I am pleased with this performance on many levels, beginning with our ability to attract more first time buyers as contract sales to these buyers improved 21% in the quarter.

This highlights the success of not only our marketing programs, just specifically our call transfer and Encore programs, but also our ability to tour more of our rental guests while they are staying at one of our resorts. And much like the first quarter, our closing efficiency continued to improve even with higher tour flow, increasing 40 basis points in the quarter, as our sales and marketing teams are adapting very well to the additional first time buyer tours.

I'm also very pleased with how well our existing sales locations have performed as our marketing programs have grown over the last several years. Our same-store sales distributions drove 12 percentage points of our growth in North America. This was the result of an over 7% improvement in tour flow combined with a 6% improvement in VPG.

Our call transfer program is currently operating in all of the Marriott-branded U.S. call centers and the next phase of its growth began last quarter with the announcement of an airline partner. We expect to continue to expand this program as we look to add additional partner arrangements.

Our hotel linkage agreements are expanding rapidly as well. This includes not only our new destinations, but also the expanding Marriott portfolio. We have already signed agreements with six hotels to join the Marriott family through Marriott International's acquisition of Starwood. And we anticipate even more in the near future. And as always, we will maintain our focus on even more first time buyers, as we continue to evaluate potential new avenues for our marketing platform.

Staying at our North America segment, adjusting for the impact of the calendar shift, new destinations drove roughly 10 percentage points of our contract sales growth in the quarter. All five of our new sales centers are open and I'm very pleased with the continued ramp-up of these locations.

Opening in the last week of December of 2016, South Beach, our newest sales center is in just its second quarter of sales and is doing very well in the busy summer season. Waikoloa, which opened in the second half of last year, is still in its first full year of sales and is continuing to build momentum with a solid start to the year. Our locations in San Diego, New York, and Washington D.C., which are all through their first year of sales, are continuing their initial success as they continue to ramp up throughout this year and into the next.

Remember, we anticipate that a new sales center in North America should take roughly three years to achieve its full sales potential and all of our new locations are in the early stages of this process. That said, with their performance to-date highlighted by a continued strong VPG, we are confident that these new sales centers will provide a solid foundation for contract sales growth well into the future.

Turning to the build-out of our new locations with the delivery of the new units in Waikoloa last quarter, all of the updates and renovations at our new locations have been substantially completed. And while not a new destination, our capital efficient expansion on Marco Island continues to move forward on schedule with the first 36 newly constructed units delivered and open for occupancy and the remaining 112 units expected to be delivered throughout the remainder of the year.

In our Asia Pacific segment, adjusting for the estimated impact of the financial reporting calendar change this year, contract sales grew roughly 6%. While our Surfers Paradise property continues to ramp up slightly slower than initial expectations, we remain excited about this longer-term growth as well as the planned addition of our new property in Bali later this year.

Now let me take just a moment to provide my thoughts on our full-year guidance for 2017. Our first two quarters have been outstanding with contract sales growth in the first half of the year of 17% and cumulative adjusted EBITDA of $140 million at the end of June.

As we have mentioned before, the comparison to prior year does get somewhat tougher as we continue throughout the remainder of 2017. Despite that tougher comparison, we have solid growth expectations from the continued ramp up of our new sales locations. This combined with a growing pipeline of tour activations gives us confidence that full year contract sales growth should be between 12% and 16%, about 2 basis points, which was higher than the midpoint of our previous expectation. Likewise, we would anticipate higher adjusted EBITDA growth with full year adjusted EBITDA between $282 million and $292 million.

With that, I'll turn the call over to John to provide a more detailed look at our first (sic) [second] quarter results.

John E. Geller, Jr.

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

Thank you, Steve, and good morning, everyone. I, too, am very pleased with our strong second quarter results. Adjusted EBITDA totaled $77.9 million, $13.7 million, or 21%, higher than the second quarter of 2016. In contract sales, after adjusting for the estimated impact of the financial reporting calendar change, we're up over 18% to nearly $210 million.

As expected, all lines of business contributed to our growth in the quarter. With our strong contract sales performance, development margin grew $7.1 million, or 20.9%. Our resort management business grew 17.9% or $5.3 million. Our rental business improved by $4.3 million, or 43.7%, and financing margin grew 12.5%, or $2.5 million.

For the second quarter, company adjusted development margin increased $5.1 million or 15.5% to $38.2 million and adjusted development margin percentage totaled 20.4% in the quarter.

As a reminder, for the full year, we continue to expect company development margin percentage of 21% or higher. In our North America segment, adjusted development margin increased $5.8 million, or 17.2%, to $39.9 million in the second quarter and our adjusted development margin percentage was 23.4%. The $5.8 million of adjusted development margin increase was driven primarily by $13.1 million from higher contract sales volumes partially offset by $3.6 million from higher marketing and sales costs, of which $2.4 million related to the ramp-up of our new sales distributions.

In addition, adjusted development margin was negatively impacted by $3.4 million of higher sales reserve activity resulting solely from higher finance sales volumes compared to the prior-year quarter. In our financing business, revenues were up $3.9 million, or nearly 14%, to $32.5 million in the second quarter of 2017. These results reflect $5.5 million from higher interest income from our growing notes receivable balance, partially offset by additional costs from our financing incentive program.

Our notes receivable portfolio continues to perform very well, as we have seen our financing propensity rise nearly 9 percentage points to 63% in the second quarter, with average FICO scores of our buyers at 743, and delinquency rates remaining near historic lows. Financing revenues, net of related expenses, were up 12% to $23.4 million from the second quarter of last year. In our rental business, excluding the impact of the Surfers Paradise hotel we sold last year, rental revenues increased $11.1 million to $84.2 million. Rental revenues net of expenses were $14 million, up $4.3 million, or 43.7%, from the prior year.

These results reflect a 17% increase in transient keys rented, driven in part by the inclusions of two additional summer weeks due to the change in our reporting calendar. This was partially offset by additional unsold maintenance fee costs from inventory at our new locations.

Rental occupancy in the quarter was approximately 71%, roughly 6 percentage points higher than the prior year. Results also reflect a nearly 30% increase in preview room nights. Remember, rental revenue from preview usage is typically less than rental revenue from transient rentals. As we utilize more of our rental availability for preview room nights to support our increasing tours, we expect this activity to be a headwind to rental margins for the remainder of the year.

And while our rental business has performed well to date, when you layer in the higher preview activity and the negative impact of seasonality in the second half of the year, we do expect rental revenues net of expenses for the full year to be below the prior year.

In our resort management and other services business excluding the impact of the Surfers Paradise hotel, results improved $5.3 million, or 17.9%, to $35.2 million in the quarter. These results reflected higher fees for managing our portfolio of resorts, higher ancillary results, and higher settlement fees.

G&A costs were up $4.2 million in the quarter, of which roughly $2 million resulted from the additional week of costs from the financial reporting calendar change. The remainder of the increase was driven by normal inflationary cost increases and higher variable compensation-related expenses. Royalty fees were up $2.3 million from the prior year's second quarter. This was driven primarily by higher contract sales volumes as well as the additional week from the financial reporting calendar change.

Moving to our balance sheet at the end of the quarter, cash and cash equivalents totaled $85.2 million. We also had approximately $240 million of gross vacation ownership notes receivable eligible for securitization and roughly $148 million in available debt capacity under our $200 million revolving credit facility. Our total gross debt outstanding at the end of the quarter was roughly $790 million, including $671 million associated with our securitized notes receivable, a $64 million non-interest bearing note we issued related to our capital efficient acquisition of the vacation ownership units at our Waikoloa property, $48 million outstanding under our revolving corporate credit facility and roughly $7 million related to capital leases and other miscellaneous debt.

Turning to our return of capital to shareholders, we repurchased nearly 33,000 shares for $3.9 million during the second quarter of 2017. And I'm happy to report that our Board of Directors has approved an increase to our share repurchase authorization of 1 million shares, bringing our total remaining authorization to approximately 2 million shares.

Now, let me take just a moment on our outlook for the year. As Steve mentioned, we are raising our 2017 full year guidance for contract sales growth to 12% to 16% and adjusted EBITDA to $282 million to $292 million. In addition, along with those changes, we expect adjusted fully diluted earnings per share to increase to a range of $5.31 to $5.52 per share.

Turning to cash flow, we're also raising our expectations for our adjusted free cash flow by $30 million to $190 million to $210 million for 2017. This increase is driven not only by the higher expected adjusted EBITDA, but also from continued deferral of capital spending as well as business interruption insurance proceeds we expect to receive associated with Hurricane Matthew.

Our outlook includes roughly $9 million of net proceeds related to our business interruption claim. As it relates to the damage at our properties, we are pleased that the work to repair the damage caused by Matthew has been substantially completed and we continue to work with the same insurance provider on a property damage claim. However the majority, if not all, of any monies received for that claim will be for the benefit of our impacted owners associations.

We started this year with a very strong first half with our new sales distributions opening, growing and our marketing programs continuing to ramp up very nicely. VPG remained solid halfway through the year and our tour activations are well ahead of the same point in 2016, all of which gives us confidence that 2017 will be a tremendous year.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes 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

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

Thanks for the color. I was interested to hear about the – you talked about the affiliation with six new hotels from Marriott's expanded portfolio, I'm assuming that's brands like Westin. So I'm just curious, in general, how that program works?

And then also how does it relate to, I think, one of your competitors has exclusive rights to a couple of their brands. And final related question. Have you had discussions with Marriott International around plans for the Marriott Rewards program going forward? And how do we think about the risks or opportunities as they pertain to you? Sorry – pack a lot in there. Thanks.

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

A

It's okay. It would be a run-on sentence though. Anyway, we've had a linkage arrangements with Marriott hotels virtually throughout the existence of our company. And as Marriott has expanded its portfolio of properties through the acquisition of Starwood, we have taken advantage of that expansion by signing six new agreements, they're both Westin and Sheraton branded. They are hotels in Waikiki and Waikoloa, as well as in Hilton Head.

And the way the linkage program works is that hotel guests that are staying in those properties, ideally we have an opportunity to interact with them during the course of their stay, offer them an opportunity to come hearing about our product, take a tour, and if everything works well, we make a sale. That's generally how linkage programs work, and as I mentioned on my remarks, we continue to look for further expansion, not only within the Westin and Sheraton portfolios, but obviously as Marriott continues to add hotels.

Relative to your question about how that impacts another licensee in the business, I believe the exclusivity that you are referring to that ILG would have for instance on the Sheraton and Westin brands pertains to the development of new timeshare properties with those two brands. So, that's, I think, the differentiation that you might be looking for.

I'm sorry, I've lost the last part of your question.

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

A

Marriott Rewards.

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

A

Oh, Marriott Rewards. Yes, we've recently begun some additional discussions with Marriott. They've been in a very preliminary stages, trying to understand what their objective are in terms of trying to move the loyalty platforms forward. As I say, it's very early in the discussion, so we really don't have much to report, except to say that we'll begin a dialogue.

Christopher Agnew
Analyst, MKM Partners LLC

Q

Excellent. So thank you. And then, one more question. I think you – I am not sure on this call, but on the last call you talked about the new sales centers, you'd got VPG up to the similar sort of level as new resort. So, as we think about you ramping going forward, does that really then reflect your expectations for tour flow continuing to ramp or do you think there is more room for VPG to run at your new sales centers? Thank you.

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

A

Well, clearly, we're very pleased. I don't have the VPG of the new sales center number.

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

A

It's about the same.

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

A

Right in front of me. I believe it's very close to what we run historically in our existing sales centers. But we will continue to drive more tour volume into those sales centers going forward, as they continue to ramp up in terms of getting to a more stabilized base at, call it that third-year timeline. So we're again, the guidance that we provided, we're increasing our contract sales outlook for the remainder of this year, reflects some of what we see there and we're again very encouraged by what we see.

Christopher Agnew
Analyst, MKM Partners LLC

Q

Great. 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 Brian Katz
Analyst, Telsey Advisory Group LLC

Q

Hi. Good morning. Well done, nice quarter.

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

A

Thank you.

David Brian Katz
Analyst, Telsey Advisory Group LLC

Q

I wanted to follow up the first half of the prior question, or I'm sorry, whatever place it was in the prior question about including some Sheratons and Westins in your offering. I'd love to get just a little more specificity around, well let me come straight at it, how does that not create some confusion from a branding perspective, either for you or with the customer in terms of what you're offering?

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

A

Well, let me see if I can clarify for you. We're not including Sheraton and Westins in our vacation ownership offering. What this basically is, is we are sourcing tours out of hotels, just as we source them out of Marriott hotels, et cetera. We're sourcing tours out of Sheraton hotels and Westin hotels. I mean, Sheraton hotels and Westin hotels are now part of the Marriott portfolio, just as Marriott hotels are and Ritz-Carlton hotels are, et cetera. So, all we're doing is selectively in markets where we have vacation ownership sales centers, we are availing ourselves with the opportunity to source some tours, so that hopefully people can become excited about buying into our product.

David Brian Katz
Analyst, Telsey Advisory Group LLC

Q

And those people may or may not be Marriott Rewards loyalty members or they may or may not be SPG members?

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

A

That's correct. That's correct.

David Brian Katz
Analyst, Telsey Advisory Group LLC

Q

I see, so.

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

These are hotel guests.

David Brian Katz
Analyst, Telsey Advisory Group LLC
Q

Understood. And so, ILG's rights are to the development of VOI in those brands, but not necessarily rights to members of those loyalty programs?

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

Well. You'd have to speak with ILG about their specific license agreement. I'll speak to ours, which is we have exclusive rights to the Marriott Reward members and to any successive program to Marriott Rewards. From a marketing perspective that means, in terms of being able to make solicitations and marketing approaches to people not necessarily aligned with their hotel stay. In addition to that, we also talk to Marriott hotel guests as they stay in Marriott hotels where we have linkage agreements. In a similar fashion, we're talking to guests that are staying in select Sheraton and Westin hotels, but we're not certainly marketing to the SPG marketing database to generate tours. Is that helpful?

David Brian Katz
Analyst, Telsey Advisory Group LLC
Q

This is very helpful, and I hope you don't mind me asking one more detail about it. If it were turned around the other way, and they were to be marketing in a Marriott resort in some point, whether or not those people are Marriott Rewards members or otherwise, would that be in your view violating what you think are your contractual rights?

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

Well, David, we should be clear with our contractual rights, we have exclusivity for marketing in the key full service Marriott hotels and Ritz-Carlton hotels. So by contractual arrangement, we're the only timeshare company that can have linkage or marketing into those four or five key brands.

David Brian Katz
Analyst, Telsey Advisory Group LLC
Q

So by definition, the inverse scenario would be, right, a violation of rights, but that would not be in accord?

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

Yeah, any other timeshare brands try the Marriott or contract with them, that's one of – we've talked about all our different exclusivity that we have, this is another example of exclusivity we have in our licensing agreement.

David Brian Katz
Analyst, Telsey Advisory Group LLC
Q

Right. But your understanding is that, it's not – that their exclusivity arrangement is different from yours?

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

A

You'd have to ask them what their exclusivity arrangement is, what we are telling you is we are able to market contractually into those Sheraton and Westin hotels.

David Brian Katz
Analyst, Telsey Advisory Group LLC

Q

Got it. Okay. I think we've explored this fully. Thank you very much. I'll give someone else a chance and come back around.

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

A

Right. Right.

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

A

Thank you.

Operator: Our next question comes from Brad Dalinka with SunTrust. Please proceed with your question.

Brad Dalinka
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Hey, good morning.

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

A

Good morning.

Brad Dalinka
Analyst, SunTrust Robinson Humphrey, Inc.

Q

On for Patrick Scholes here. Trying to get at this from a different angle and apologize for continuing to beat this horse. But you guys bought back a few shares this quarter, but somewhat less than usual, I'm recalling you guys bought – it was $90 million back in 2Q 2016. Were you blacked out for any reason? Was it just you were going to take up the guide? Is it fair to say you haven't repurchased anything subsequent to the quarter. Thank you.

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

A

Yeah, Brad, it's John. We do appreciate your persistence on that question. But we obviously don't talk about reasons for us being in and out of the market or for blacked out or not blacked out. So, I'm not going to comment on that. We did and you'll see in our 10-Q, we did get back into the market in June, and bought a few shares back. And as we talked about our board has increased our authorization here going forward, but once again we're not going to comment specifically when we're in and out of the market.

Brad Dalinka
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Understood, appreciate it. Had to try. That's it for me. Thanks guys.

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

Yeah.

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

Thank you.

Operator: Ladies and gentlemen, we've reached the end of the Q&A session. At this time, I'd like to turn the call back to Steve Weisz – oh, excuse me, someone jumped into the queue. We do have one more question. This question comes from Tyler Batory with Janney Capital Markets. Please proceed with your question.

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

Good morning.

Tyler Batory
Analyst, Janney Montgomery Scott LLC
Q

Good morning. Thanks for taking my question. There's just the last one on the linkage share between Sheraton and Westin. Is that something that was driving contract sales during the quarter, or is it maybe a little bit too early for that to really have an impact on your business?

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

I'd characterize it is as a very early on, the Hilton Head, Westin opportunity is something that started up in – call it mid-quarter, some of these others have literally just been activated here in the last 60 days kind of thing. So, I don't see it being particularly meaningful in terms of driving our increase in contract sales.

Tyler Batory
Analyst, Janney Montgomery Scott LLC
Q

Okay, great. And then just on the same-store sales growth. Can you maybe talk a little bit more about what's driving that, kind of how that's trended versus your expectations?

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

Yeah. I mean as you might imagine, given our initial guidance at the beginning of the year of 9% to 15%, we're very pleased with what we've seen with that 17% growth in contract sales through the first two quarters. It's really many of the same things we've talked about before. As we talked about, there is the addition of new sales centers, and also we had the success of our new marketing programs specifically our Encore and our call transfer programs. They have continued to perform very well, and we're very pleased with what we see there, not only in terms of generating tour flow but also in terms of VPG. So you put those things together and that's what gives you the performance that we see.

Tyler Batory
Analyst, Janney Montgomery Scott LLC

Q

Okay. Great. That's all from me. Thank you.

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

A

Thank you.

Operator: Ladies and gentlemen, we have reached the end of the question-and-answer session. At this point, 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.

Thanks, Rob. We are off to our best first half performance since becoming a public company with contract sales growth even higher than our record first quarter and earnings continuing on a solid pace as well. We believe that the foundation is set not just for a great second half of 2017, but for several years to come. Thanks for joining us today. And finally, to everyone on the call and your families, enjoy your next vacation.

Operator: This concludes today's conference. You may disconnect your line at this time and have a wonderful day.