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Q1 2021 Texas Instruments Inc Earnings Call

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PRESENTATION

Operator

Thank you for standing by. Good day, and welcome to the Texas Instruments' Q1 2021 Earnings Release Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Dave Pahl. Please go ahead, sir.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Good afternoon, and thank you for joining our first quarter 2021 earnings conference call. For any of you who missed the release, you can find it on our website at ti.com/ir. This call is being broadcast live over the web and can be accessed through our website. A replay will be available through the web.

This call will include forward-looking statements that involve risks and uncertainties that could cause TI's results to differ materially from management's current expectations. We encourage you to review the notice regarding forward-looking statements contained in the earnings release published today as well as TI's most recent SEC filings for a more complete description.

Our Chief Financial Officer Rafael Lizardi is with me today, and we'll provide the following updates. First, I'll start with a quick overview of the quarter. Next, I'll provide insight into the first quarter revenue results, with more details than usual by end markets, including some sequential performance since it's more informative at this time. Lastly, Rafael will cover the financial results, some insights into one-time items and our guidance for the second quarter of 2021.

Starting with a quick overview of first quarter: The company's revenue increased 5% sequentially and 29% year-over-year, driven by strong demand in industrial, automotive and personal electronics. On a sequential basis, Analog grew 5% and Embedded Processing grew 7%. On a year-over-year basis, Analog grew 33% and Embedded Processing grew 17%. Our "Other" segment grew 12% from a year-ago quarter.

Moving on, given the current environment, again this quarter, I'll provide some insight into our first quarter revenue by end market and then some comments on our lead times.

First, the industrial market was up about 20% sequentially and up almost 30% from the year ago. The strength was seen across most sectors.

The automotive market was about even compared to a very strong fourth quarter 2020 and up about 25% from a year ago. Compared to the pre-COVID-19 levels of fourth quarter '19, our shipments to automotive in both the fourth quarter of 2020 and the first quarter of 2021 were up about 25%, as we worked to help our automotive customers recover from their supply chain disruptions.

Personal electronics was down about 10% sequentially and up about 50% compared to the year ago. The strength was broad-based across sectors and customers within personal electronics.

Next, communications equipment grew in the high teens sequentially and was about even from the year ago.

Enterprise systems grew upper-single digits sequentially and was down about 10% from the year ago.

Regarding lead times, over 80% of our products have steady lead times and more than 50,000 parts have off-the-shelf availability via TI.com. However, the growing demand in the first quarter of 2021 did expand our list of hotspots, which required extending some lead times. We will continue to add incremental capacity in 2021 and the first half of 2022 with additional support from the start-up of our third 300-millimeter wafer fab, RFAB2, that will come online in the second half of 2022. As discussed during our capital management review in February, our competitive advantage of internal manufacturing and technology delivers the benefits of lower cost and greater control of our supply chain, which really shows through in a market environment like this.

Rafael will now look and review profitability, capital management and our outlook.

Rafael R. Lizardi ***Texas Instruments Incorporated - Senior VP of Finance & Operations, CFO and CAO***

Thanks, Dave, and good afternoon, everyone. First quarter revenue was $4.3 billion, up 29% from a year ago. Gross profit in the quarter was $2.8 billion, or 65% of revenue. From a year ago, gross profit margin increased 250 basis points.

Operating expenses in the quarter were $811 million, up 2% from a year ago and about as expected. On a trailing 12-month basis, operating expenses were 21% of revenue. Over the last 12 months, we have invested $1.5 billion in R&D.

Acquisition charges, a noncash expense, were $47 million in the first quarter. Acquisition charges will remain at about this level through the third quarter of 2021 and then go to zero.

Operating profit was $1.9 billion in the quarter, or 45% of revenue. Operating profit was up 56% from a year-ago quarter.

Net income in the first quarter was $1.8 billion, or $1.87 per share, which included a 2-cent net benefit that was not in our prior outlook, primarily due to a discrete tax benefit which was partially offset by about $50 million of utility costs related to the February winter storm in Texas. Most of this expense is in our cost of revenue and reported in our "Other" segment results.

Let me now comment on our capital management results, starting with our cash generation.

Cash flow from operations was $1.9 billion in the quarter. Capital expenditures were $308 million in the quarter. Free cash flow on a trailing 12-month basis was $6.3 billion.

In the quarter, we paid $940 million in dividends and repurchased $100 million of our stock. In total, we have returned $4.5 billion in the past 12 months. Over the same period, our dividend represented 56% of free cash flow, underscoring its sustainability.

Our balance sheet remains strong with $6.7 billion of cash and short-term investments at the end of the first quarter. We retired $550 million of debt in the quarter, leaving $6.3 billion of total debt with a weighted average coupon of 2.77%.

Regarding inventory, TI inventory dollars were down $65 million from the prior quarter and days were 114.

For the second quarter, we expect TI revenue in the range of $4.13 billion to $4.47 billion and earnings per share to be in the range of $1.68 to $1.92. We continue to expect our annual operating tax rate to be about 14%.

In closing, we continue to invest to strengthen our competitive advantages and in making our business stronger.

With that, let me turn it back to Dave.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Thanks, Rafael. Operator, you can now open the lines for questions. (Operator Instructions) Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And first, we'll go to Chris Danely with Citi.

Christopher Brett Danely ***Citigroup Inc. Exchange Research - Research Analyst***

So Q1 clearly was very strong, well above seasonality and above guidance. However, your sequential guidance at flat is well below seasonality. So my question is, are you guys seeing cancellations and pushouts? Or why the such weak guidance after a strong Q1?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. Chris, yes, thanks for that question. We aren't seeing cancellation or pushouts. I'd just say that if you look to your observations, Q1 was very strong, both sequentially and year on year. So at the midpoint, second quarter will be a strong quarter from a year-on-year standpoint. Do you have a follow-on?

Christopher Brett Danely ***Citigroup Inc. Exchange Research - Research Analyst***

Yes. I mean, I guess it would just be a follow-on to the first question. I mean, this would be the lowest sequential guidance you guys have given in some time. So I guess, why not guide for a seasonal or even close to seasonal sequential guide?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. It really, Chris, is just -- it is the best estimate that we have for our revenue for the quarter. And again, I would describe it as following a very strong first quarter, it will be a strong quarter again. So okay, thank you. We'll go to the next caller.

Operator

Next, we'll go to Stacy Rasgon with Bernstein Research.

Stacy Aaron Rasgon ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst***

I want to talk about your inventory strategy. I know you have a strategy to build out inventory for customer service. I guess, how do I reconcile that though with the fact that your inventory dollars are down and you're still getting some pockets of lead time -- of extended lead time. Is that just a function of demand -- the pull that's just so strong you can't keep up? And I guess in that light, how do you parse the quality of those orders that you're getting? How do you know -- are you just -- I mean, are you just shipping whatever is being asked for at this point? And I guess, like what are the plans for loadings in inventories as we go into Q2? Are you going to try to replenish the inventory that's been drained?

Rafael R. Lizardi ***Texas Instruments Incorporated - Senior VP of Finance & Operations, CFO and CAO***

Yes. So thanks for the question, Stacy. So first, let me step back and remind everyone, inventory, our objective there is to maintain high levels of customer service, minimize -- while we minimize obsolescence and improve manufacturing utilization. And as you alluded in the question, we would prefer to have higher levels of inventory. In fact, what, 60 days ago at the capital management strategy, we increased the target for inventory to 130 to 190 days, up from 115, 145 prior to that. So yes, we'd like to have more inventory. But in the current environment, we're focusing our capacity on fulfilling demand, not on building inventory.

Whenever things slow down, which at some point it will, and/or as we increase capacity, which we are increasing capacity incrementally. We have been and we'll continue to do through the balance of this year into the first half of next year. And then in the second half of next year, we'll have a first output from RFAB2, then as those things come together, then we will be able to build more inventory. I know you had a couple of other parts of that question, but why don't you use your follow-up for that, if I missed something.

Stacy Aaron Rasgon ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst***

Okay. I'll use the follow-up. How are you parsing the quality of the orders that you're getting? Or are you just shipping whatever is being ordered at this point?

Rafael R. Lizardi ***Texas Instruments Incorporated - Senior VP of Finance & Operations, CFO and CAO***

Yes. I'm glad you chose that one as a follow-up. I'll just highlight, as you know, we have moved away from distributors over the last couple of years. Really, it's been more of a 10-year process. But in the last few years, more -- we pulled the trigger and actually no longer ship into many distributors that we used to. And now we're going direct with a lot of our customers to the point where we exited last year with almost two-thirds of our revenue shipping direct. That has put us in a great position, particularly in the current environment because we now have more direct access to those customers. We have a better understanding of what they really need. We have -- we don't have that intermediary in between, frankly, clouding things up as, frankly, as the way it happened a lot with the distributors. So then we use that information to better allocate our resources, both inventory, manufacturing, et cetera, in order to fulfill demand from our customers.

Operator

And our next question will come from John Pitzer with Crédit Suisse.

John William Pitzer ***Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head***

Not original, but a follow-up to the June revenue guide. I'm just curious, Rafael, you said that you would be growing supply sequentially from March to June. So the implication is you might be able to build some inventory on your own balance sheet. I'm just curious given how lean inventories are across the channel, why you wouldn't expect incremental supply that you bring on not to be used by your customers and actually show sequential revenue growth?

Rafael R. Lizardi ***Texas Instruments Incorporated - Senior VP of Finance & Operations, CFO and CAO***

I think you're getting a little nuance in that question, picking some of the things I said. Just I would tell you, we drain inventory fourth to first, right? So even if we're increasing output, that doesn't necessarily mean that we'll be able to build inventory, right? What I said earlier, you shouldn't take that as a statement that we're going to build inventory going into second quarter.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. And I would add that we're going to add incremental capacity through the balance of this year and through the first half of this -- next year until RFAB2 comes on, which would be in the second half of 2022. So you've got multiple pieces that are moving there. Do you have a follow-on, John?

John William Pitzer ***Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head***

Yes. Just it was nice to see in the March quarter Embedded at least sequentially, growing faster than Analog. And we've talked about this in the past, Dave, about kind of the growth there has kind of lagged that of Analog. Do you feel like within the embedded market, you're turning the corner? And can you help us kind of understand how you guys see the design funnel there and what the growth rate in that market might be beyond kind of the cyclical recovery?

Rafael R. Lizardi ***Texas Instruments Incorporated - Senior VP of Finance & Operations, CFO and CAO***

Yes, I'll give you a few comments on that, and Dave, you want to follow-up. At a high level, we're pleased with the trajectory of Embedded. We're still -- however, we're still in very early phases, right? As we have said before, our goal with Embedded was first to stabilize Embedded, make some changes that we have made and then leverage our competitive advantages that we have, to have Embedded headed in a better direction. And we're in the early phases, but we're pleased with those early results.

Operator

Moving on, we'll go to Craig Hettenbach with Morgan Stanley.

Craig Matthew Hettenbach ***Morgan Stanley, Research Division - VP***

Dave, thanks for the color on lead times. I guess in the hotspots, maybe 20% or so that's being impacted, can you just give a sense of what you're seeing there? And maybe your sense of when you would expect the lead times in certain areas to normalize?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. There's just a lot of moving pieces on that, Craig. I think it's probably premature to try to pick that. Our teams are obviously working very hard with customers to close those demand and fulfill those needs. So it really is just based on technologies and packages and what those customer requirements are. Do you have a follow-on?

Craig Matthew Hettenbach ***Morgan Stanley, Research Division - VP***

Sure. And then personal electronics, up 50% year over year. I know there's been some nice tailwinds from work-from-home. Any more color in terms of some of the segments that you're seeing growth? And how you feel about that business for Q2?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. So at a high level, what I'd say, we'll give color by end market if there's something unusual going on. When we look out into a quarter, I can say that there's nothing unusual that we feel the need to call out. When we look back into first quarter and really in the past few quarters in personal electronics, the demand that we've seen there has been very broad-based, both by customer, really across the board that we've seen, as well as by sectors. And just as a reminder, inside of personal electronics, we'll have things like handsets and tablets and personal computers, including laptops, television, smart speakers, those types of things. So it's a pretty broad category, printers. So it's pretty broad categories. I think there's nine, 10 different sectors that make up personal electronics. So -- and we've seen very strong demand really across all of those.

Rafael R. Lizardi ***Texas Instruments Incorporated - Senior VP of Finance & Operations, CFO and CAO***

This is Rafael. I just want to go back to the question on lead times. And earlier, several people asked about inventory. At the end of the day, things are going to be tight as long as demand is ahead of supply. Things are going to be tight. Lead times are going to be tight. The -- but the key point here is we own our own manufacturing and technology, right? That is a key differentiator versus our competitors. It is one of our competitive advantages. So we are in a strategically -- in a unique strategic position to be able to have that, control that inventory, be able to add to that capacity incrementally for the next 1.5 years or so but then more significantly after that, when RFAB2 is built and it starts to get equipped. So that's a big difference versus our competitors. It really puts us in a much better position to fulfill customers' demand, both short-term and more importantly, over the long haul as we continue to focus on industrial, automotive and all those customers that are in those great spaces.

Operator

And that will come from Harlan Sur with JPMorgan.

Harlan Sur ***JPMorgan Chase & Co, Research Division - Senior Analyst***

On the extended lead times, maybe a different way to ask the question, you outsource about 20% of your wafer requirements, most of it is embedded and you outsource 40% of your test and assembly. I'm just wondering if this is where you're seeing maybe more of the extended lead times, just given the capacity is tight at your outsourced partners? Or is it spread across both internal and outsourced manufacturers?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. It's not specifically there, Harlan. It really is more just based on technology or end market driven or package types, so we described it as hotspots. So it's kind of the combination of those things when we've got demand that is outstripping the short-term supply. But back to Rafael's point, the fact that we do the majority of that assembly test in-house, most of our peers don't do that. Most of our peers have that assembly outside. So even that 60%, 70% is a very large number that we control and do in-house. Also, because we do 80% of our wafers in-house, we can expand that capacity incrementally. Also, we control the cost to a much higher degree than our peers as well. And those are very important things in times like these. So there's a tremendous advantage on top of the fact that it's 300-millimeter where we're adding capacity, so it's coming in at structurally lower cost in addition to it. So do you have a follow-on?

Harlan Sur ***JPMorgan Chase & Co, Research Division - Senior Analyst***

Yes. No, thanks for the insights there. So, good again to see the year-over-year momentum in the Embedded business. And I know somebody tried to ask a question about this previously. But wondering if you could just -- I know you guys refocused some of the subsegments within Embedded last year. Just wondering if you guys could give us a profile of Embedded relative to the overall corporate profile? I mean does it have the same end market exposure as the overall business? Or is it more skewed now towards one or particular end markets? And on a go-forward basis, like what end markets within Embedded are you spending more R&D dollars?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. So I think that what -- the investments that we have in Embedded we have directed at the best growth opportunity. So as we took a step back, we wanted to focus them into that direction. They're biased towards industrial and the automotive markets. The largest portion of our revenue are pointed in that -- in those two markets as well. We do have a little bit of revenue in communications, enterprise and PE inside of that, but the majority of the revenue is in those two markets. So again, as Rafael said, we're in the early stages. Our first objective was to get the revenue stabilized. So we feel very good about the progress that we've made so far. And we're making the investments there because we believe Embedded will be a great contributor to free cash flow growth over the long term. So we believe that several years from now, we'll look back and we'll be very pleased with the investments that we've made. We'll be very pleased with the free cash flow growth that Embedded will have contributed to the company.

Operator

And that will come from Ambrish Srivastava with Bank of Montreal.

Ambrish Srivastava ***BMO Capital Markets Equity Research - MD of Semiconductor Research & Senior Research Analyst***

Just a question on the order patterns that you're seeing guys, many of your peers have talked about no cancellations policies, facets of the business we haven't seen in -- you could say never. But are you seeing that, that customers are looking for commitments to capacity? And then as a result, you're having to change your clauses with the customers in terms of cancellation policy or what have you? Are there any changes on that front?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Yes. So we don't think that, that's a good idea to go down that path to force customers to tell us what they need a year from now. I don't -- you can demand that they tell you what they need in April or May of 2022, but I can assure you they don't know what they need a year from now. We really want to be in a position where we can supply them what they need and be a supplier that they can count on as well. The competitive advantage of manufacturing technology and owning, controlling that, our manufacturing asset also gives us control of our cost there. So we haven't been in a position where we've had to go in and raise prices as many of our other peers have. And we believe that those two things combined are translating into share gains, right? So when you look at the revenues in this quarter, we believe part of that is share gains. And I'll quickly also point out that you got to measure that over time. So don't look at or measure it over just one quarter. But we do believe that, that will be something that will benefit us for a very long time to come. Do you have a follow-on, Ambrish?

Ambrish Srivastava ***BMO Capital Markets Equity Research - MD of Semiconductor Research & Senior Research Analyst***

Yes, I do. Just quickly on the capacity and the CapEx. So intensity, we shouldn't be modeling a different intensity over the next few quarters, correct? We should be within the guided range that you've given as you build the third fab? And then is that second half '22 a pull-in versus what you were expecting?

Rafael R. Lizardi ***Texas Instruments Incorporated - Senior VP of Finance & Operations, CFO and CAO***

So no, it's not a pull-in. That's about what we've always expected. But now let me answer the first part of your question. As you know very well, you've been following us for a while. We talked about our guide for CapEx as a percent of revenue at about 6%. We did that at the Capital Management Strategy meeting, and that's a valid number over the long term. And it's just a model to help you think about our CapEx. But the reality is that in the short term, for two, three years, we're going to run higher than that in absolute terms and also the percent of revenue as we continue to invest both short term to get ahead of the current situation, but more importantly, longer term as we continue to strengthen our competitive advantage of having our own manufacturing and technology -- particularly 300-millimeter that, as we talked about, provides such a great structural cost advantage -- and controlling our own manufacturing supply advantage that clearly during this pandemic and cycle has proven worthwhile.

Operator

And that question will come from Timothy Arcuri with UBS.

Timothy Michael Arcuri ***UBS Investment Bank, Research Division - MD and Head of Semiconductors & Semiconductor Equipment***

Dave, I guess I also wanted to ask about the guidance. I know there's some school of thought that because you control your supply chain, and that your model and inventory would sort of drive some share gains and some more upside given what's going on. And I know that you're typically conservative and you have a very tough comp on Q1. But I wonder if maybe customers are not pulling your product because of shortages elsewhere because it just is sitting there in consignment anyway, waiting for them. And I guess the question is, are you hearing that from any of your customers that they're not pulling due to shortages elsewhere? And maybe that's contributing somewhat to your June guidance?

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Tim, we think that, that probably goes on at any point, though we don't believe that, that's going on at any significant level. So yes, so we don't believe that that's a significant factor that's going on in the second quarter. Do you have a follow-on?

Timothy Michael Arcuri ***UBS Investment Bank, Research Division - MD and Head of Semiconductors & Semiconductor Equipment***

Yes, yes. I do. So I guess I asked the same thing that I asked last quarter about the share repo. And I know that you guys always say that free cash flow only matters if it's returned, but you didn't buy back much again this quarter, it's like $130 million over the past nine months. And it sort of seems like maybe a bit of a pattern now that it's three quarters in a row. So -- and I know you have a pretty strong intrinsic value model for your stock. So can you just talk about that?

Rafael R. Lizardi ***Texas Instruments Incorporated - Senior VP of Finance & Operations, CFO and CAO***

Yes. First, stepping back, as you alluded to, our goal, our objective is to return all free cash flow to the owners of the company over the long term. And if you look at our 15, 16-year history on that front, we have been returning all free cash flow and then some of -- to the owners of the company. And we're going to continue doing that over time. Now over time -- over the long term, that means -- that doesn't necessarily mean every quarter, certainly not every quarter, maybe not even every year, right? But over the long term, we're going to return all free cash flow to the owners of the company. We do that through both dividends and buybacks and there are different criteria that we look at for each of those, and we've talked about that.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Okay. We've got time for one more caller.

Operator

And that question will come from Tore Svanberg with Stifel.

Tore Egil Svanberg ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD***

And congratulations on the record revenues and earnings. First question, Dave or Rafael, could you step back, just looking at the last 90 days, what is it exactly that changed this last quarter? Did orders continue to accelerate? The capacity situation eased? Maybe just walk through exactly what changed.

Rafael R. Lizardi ***Texas Instruments Incorporated - Senior VP of Finance & Operations, CFO and CAO***

I'll give you a few comments. I'm not sure if I have what you're looking for. But demand continues to be strong. We're still in an environment where demand exceeds supply, capacity, right? Now of course, we're -- revenue has continued growing in that environment and both year on year, clearly, but also sequentially, right? And we are incrementally adding capacity while we do that.

We're also in the -- while we have done that, we have, over this entire cycle, we have focused on making the company stronger, right? So we have -- back if you look at the first phase of this pandemic, back in February or March, when everybody was pulling back, we built through that cycle. So that was a tactical decision enabled by our strategic position of our focus on industrial, automotive and catalog parts with low risk of obsolescence. So we're able to build through that cycle and be prepared for the other side once the demand started returning, pretty quickly as it turned out. We also -- as we did that, we also gained strategic ground, focusing on auto and industrial. So you've seen how we have grown in those spaces.

And while we have done that, we have invested for the long term, right? And that's invested in competitive advantages. The most obvious one is manufacturing and technology. We already talked plenty about that here, but there's also our product portfolio, right? We continue to strengthen the R&D in the best spaces. And then the other one is reach of our channels, which we really haven't talked about today much, but we continue to strengthen that. And maybe the most obvious one is TI.com and everything we're doing there to support our customers with very, very high availability, in fact, immediate availability in a lot of cases, with many parts; that's inventory there for customers to buy direct from us on TI.com.

Dave Pahl ***Texas Instruments Incorporated - Head of IR & VP***

Do you have follow-on Tore?

Tore Egil Svanberg ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD***

Yes. Thank you. So your operating margin, I think, was just very shy of a record at 45.2%. Rafael in the past, you've talked about OpEx kind of being between 20% and 30% of revenue. Now that it's pretty obvious that there's so much demand out there and that it's sustainable, is it safe to say that, that OpEx ratio is going to change going forward and maybe stay at 20%, 25%?

Rafael R. Lizardi ***Texas Instruments Incorporated - Senior VP of Finance & Operations, CFO and CAO***

Yes. So what I'll tell you on that is, in the short term, we run OpEx on a trailing 12-month basis at about $3.2 billion. That's not going to change much in the short term, right, because it doesn't need to, right? We feel very good about those investments. We feel very good about where they're going. They're long-term in nature. Clearly, in R&D, but also part of SG&A is the TI.com example, that's -- where I think of that as an investment, of course, even though it is an SG&A. So I don't see that number in the short term changing much. But over the long term, over many years, the guidance that we have given you of 20% to 25% still applies, right? So you should still think of it in those terms.

Okay. So I think that was the last one. So let me go ahead and wrap up by reiterating what we have said previously.

At our core, we're engineers and technology is the foundation of our company. But ultimately, our objective and best metric to measure progress and generate long-term value for owners is the growth of free cash flow per share. While we strive to achieve our objective, we will continue to pursue our three ambitions: We will act like owners who will own the company for decades. We will adapt and succeed in a world that's ever changing. And we will be a company that we're personally proud to be a part of and would want as our neighbor. When we're successful, our employees, customers, communities and owners all benefit.

Thank you, and have a good evening.

Operator

Thank you. And that does conclude today's conference. We'd like to thank everyone for their participation. You may now disconnect.