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Weingarten Realty Investors (WRI)

Q3 2018 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Weingarten Realty Inc. Third Quarter 2018 Earnings Call for October 25, 2018. My name is Brandon, and I'll be your operator for today. At this time, all participants are in a listen-only mode.

Later we will conduct the question-and-answer session. [Operator Instructions] Please note this conference is being recorded.

And I will now turn it over to Michelle Wiggs. Michelle, you may begin.

Michelle Wiggs

Vice President-Investor Relations, Weingarten Realty Investors

Good morning, and welcome to our third quarter 2018 conference call. Joining me today is Drew Alexander, President and CEO; Johnny Hendrix, Executive Vice President and COO; Steve Richter, Executive Vice President and CFO; and Joe Shafer, Senior Vice President and CAO.

As a reminder, certain statements made during the course of this call are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances.

Actual results could differ materially from those projected in such forward-looking statements due to a variety of factors. More information about these factors is contained in the Company's SEC filings.

Also, during this call, management may make reference to certain non-GAAP financial measures, such as funds from operations or FFO, both core and NAREIT, which we believe help analysts and investors to better understand Weingarten's operating results.

Reconciliation to these non-GAAP financial measures is available in our supplemental information package located under the Investor Relations tab of our Web site.

I will now turn the call over to Drew Alexander.

Andrew M. Alexander

President, Chief Executive Officer & Trust Manager, Weingarten Realty Investors

Thank you, Michelle, and thanks to all of you for joining us. I'm pleased to announce another good quarter. While the retail market place has challenges, we continue to produce strong results, which is a testimony to the quality of our portfolio. Additionally, these results show the resiliency of neighborhood and community shopping centers with grocers and merchants selling basic goods and services.

As we continue to pare the bottom of our portfolio through our disposition program, the performance of our remaining portfolio just gets stronger. Coupled with the best tenant diversification in our segment, we continue to produce the solid results we announced this quarter and feel good about our future.

As to capital allocation, we continue to follow market signals. We believe that disposing of assets in the bottom portion of our portfolio, where we can sell at or near the property level net asset value, is the right strategy, especially, when our stock is selling at a significant discount to our NAV.

We've been successful in closing transactions and, looking at our current pipeline, we're increasing our 2018 disposition guidance to a range of $525 million to $625 million. During the quarter, we closed $49 million of dispositions and $394 million for the first nine months of 2018.

We have multiple deals working and several that are scheduled to close shortly. The increase in 2018 disposition activity will produce a headwind for 2019 FFO. As to dispositions in 2019, we will continue to be opportunistic and respond to the market. However, we expect to significantly reduce our disposition activity.

We've shared with many of you the transformation slide in our roadshow which quantifies the many benefits of the significant repositioning, where we've eliminated much of the bottom third of our portfolio.

We've sold properties with low TAP scores. The demographics of the portfolio are significantly better and we've lowered our exposure to power centers. We've exited multiple states and sold numerous assets in secondary and tertiary markets.

We've dramatically reduced our exposure to watchlist tenants. In the last seven years, we've sold a lot of property, creating significant value for our shareholders. So, there are many positives to this strategy.

As to the use of proceeds, we continue to actively pursue acquisitions. However, there remains an immense amount of capital chasing the quality product, which has made it very difficult for us to make sense of the pricing that this competition produces.

Disposition proceeds give us the ability to fund our new development and redevelopment projects, repurchase debt and common shares, and fund a reasonably large special dividend at year-end. We're solidly positioned to take advantage of market opportunities going forward while maintaining our strong balance sheet.

Our new developments and redevelopments are progressing nicely, which will provide future earnings growth. West Alex, Centro Arlington and the Whittaker are on track. The Driscoll at River Oaks, our 30-story high rise at our prominent River Oaks shopping center here in Houston, is also moving forward nicely and were actively under construction.

We're quite excited about transforming this asset to live, work, play. As to future new developments, we continue to work on projects but are being very cautious with our risk profile. Our redevelopment program continues to produce very strong risk-adjusted returns, generally over 11%. A solid quarter.

Steve, the financials?

Stephen C. Richter

Chief Financial Officer & Executive Vice President, Weingarten Realty Investors

Thanks, Drew. Good morning, everyone. Core FFO for the quarter ended September 30, 2018 was $0.58 per share compared to $0.61 per share for the same quarter of the prior year. Core FFO for 2018 benefited from the increased base rent and bad debt recoveries, as well as higher interest income from invested excess cash.

We also recognized over $400,000 in investment income from investments held by our insurance captive in 2018 due to the implementation of a new accounting pronouncement, where we have to mark to market those investments. Going forward, you could see fluctuations here both up and down as the markets change.

Additionally, interest expense was lower due to the reduction of debt outstanding with disposition proceeds. However, these increases were more than offset by reduced operating income from the dispositions.

These dispositions reduced FFO by about $0.07 per share for the quarter. This metric requires some assumptions regarding earnings on the proceeds received, but is a reasonable estimate of the impact of the dispositions on FFO. A reconciliation to net income to core FFO is included in our press release.

Our balance sheet is among the strongest in our sector. At quarter end, we had nothing outstanding under our $500 million revolver and have excess cash totaling $17 million. Also at quarter end, net debt to EBITDA was a strong 4.9 times and debt to total market capitalization was only 31.7%, with no significant maturities until 2022.

Our great liquidity and strong credit metrics provide significant flexibility to pursue opportunities that arise. As to earnings guidance, we are tightening the reins on net income per share to $2.52 to $2.55 and NAREIT FFO to a range of $2.38 to $2.41 a share. We are also tightening the range of core FFO to $2.27 to $2.30 per share.

All these changes are primarily driven by the success in our disposition program including, as we mentioned earlier, increasing our disposition guidance to a range of $525 million to $625 million for the full-year of 2018.

All the details of our guidance are included on Page 10 of our Supplemental.

Johnny?

Johnny L. Hendrix

Chief Operating Officer & Executive Vice President, Weingarten Realty Investors

Thanks, Steve. We're pleased with the results we generated this quarter. Occupancy ended the quarter at 94.4%; new lease rent increased almost 13%; tenant fallout was modest.

Same property NOI with redevelopment increased 2.2%, with base minimum rent for those same properties up 2.7% in the quarter. In addition, our redevelopment program continues to produce strong risk-adjusted returns.

Our tenants continue to generate strong, same-store sales and continue to attract millions of customers to our centers. Our top five tenants, Kroger, Whole Foods, H-E-B, Ross and TJX are very strong. No other tenant in our portfolio represents more than 1.75% of our annual base rent. This diversification has proven to be important as some retailers have experienced trouble in recent months. Since our last call, we had three noteworthy tenants file bankruptcy.

First, National Stores filed for Chapter 11. They do business as Fallas Paredes and Factory 2-U. They leased four stores from us, with annual base rent of $690,000, based on our most recent [ph] equidate (09:09) in 2018.

Two of our locations are included in the package whose designation rights have been auctioned but we're uncertain of the ultimate outcome of those leases, so we have reserved all pre-petition rents in the third quarter, in our forecasting they will close all our locations in November.

The company leases 15 spaces to Mattress Firm for $1.7 million in AVR. None of our locations are included in the initial round of 200 stores closed. Mattress Firm has indicated they want to close another 500 locations and emerge from Chapter 11 prior to the end of the year. That seems to be an aggressive schedule. The Mattress Firm spaces tend to be the best locations in most of the shopping centers they're in. So, we know we can quickly release these properties.

Our exposure to Sears Holdings is limited. We have two Kmarts, with an average rent of $3.70 per square foot. The annual base rent for those two spaces is $739,000. The Placerville location is scheduled to be closed and we expect it to be included in an auction process. We already have some interest in both locations so I feel good we can release these stores in a reasonable period, with replacement tenants that should improve overall sales, as well as increase NOI.

We've made great progress on releasing the Toys "R" Us spaces. All four leases have been terminated. Argyle was part of Prop Go II and was terminated in October. We're leasing to the same categories we've been talking about for the last several quarters: fitness; supermarkets; discount clothing for the boxes; restaurants, both QSRs and full-service; medical service; mobile phone services; and personal grooming for shops.

The three toy stores that terminated in the third quarter represented 50 basis points in reduced occupancy; so, that we ended the quarter only 20 basis points below last quarter was good. Boxed space occupancy is 96.6% and our shop space rose to 91%.

We have a 220 basis points spread between signed and commenced occupancy, that's 536,000 square feet and an annual base rent of $12.4 million. We expect [ph] to mix (11:49) $7.5 million in annual base rent to the balance of 2018 and the first quarter of 2019.

During 2019, we'll commence two Sprouts, a couple of gyms, two Burlington stores, and several large full-service restaurants. We'll also be getting the full-year effect of the Sprouts that opened yesterday at Winter Park and the 80,000-square-foot Gulf Coast Veterinary Hospital that commenced in October.

These are great drivers for same-property NOI in 2019. The uncertainty of the reserves required for National Stores, Mattress Firm and Sears make an estimate for annualized 2018 same-property NOI difficult. We've maintained our guidance but expect to end the year around the bottom of our range.

The redevelopment program continues to produce very good risk adjusted returns. We currently have 14 properties under, what I would call, traditional, low-risk redevelopment, where we're building shop buildings or reconfiguring space for retailers like we've done at Winter Park.

We're investing close to $80 million in those 14 properties with returns around 11%. Even though we didn't purchase anything in the quarter, we continue to search for great properties. We're actively pursuing a couple of shopping centers and could close something in 2018.

Cap rates for supermarket anchored properties in coastal markets are 4.25% to 5.5%. Other good markets are trading between 5% and 6%. Power centers and second-tier markets seem to be in a range of 7% to 8.5%.

Drew?

Andrew M. Alexander

President, Chief Executive Officer & Trust Manager, Weingarten Realty Investors

Thanks, Johnny. Our job is to position the company to maximize the long-term value for our shareholders and we remain focused on that goal. Our strong dispositions over the last several years create some earnings pressure, but has made a good portfolio even better and created significant shareholder value, we're proud of what we've accomplished.

We will continue to invest capital in those growth opportunities that make sense from a risk/reward perspective, especially redevelopments. We'll be opportunistic on dispositions but we expect 2019 will be significantly less than 2018. And we're always focused on leasing space in our centers to the right users.

Redevelopment and our strong pipeline of signed but not commenced leases will provide some nice tailwinds for 2019 same-property NOI. Our strong balance sheets continues to improve and we're well-positioned to fund our future capital requirements while still maintaining the dry powder necessary to react to other growth opportunities when they arise. Great people, great properties and a great platform equals great results.

I thank all of you for joining the call today and for your continued interest in Weingarten. Operator, we'll now be happy to take questions.

QUESTION AND ANSWER SECTION

Operator: Thank you, Drew. We'll now begin the question-and-answer session. [Operator Instructions] And from Citi, we have Christy McElroy. Please, go ahead.

Christy McElroy
Analyst, Citigroup Global Markets, Inc.

Q

Hey, good morning, everyone. Sorry, if I missed this, just wondering if you could give us an estimated range for the size of the special dividend if you end up coming within the range of your estimated disposition.

And then, sort of, what's your target leverage level as you look to use dry powder going forward to fund the redevelopment [ph] densification (15:43) pipeline?

Stephen C. Richter
Chief Financial Officer & Executive Vice President, Weingarten Realty Investors

A

Good morning, Christy, this is Steve. Let me do the special dividend first. As we reported, we've done $394 million increase to guidance but we'll tell you, it is really hard to estimate the special dividend at this time. As was mentioned in the prepared remarks, we have a number of assets in negotiation. We don't expect everything to close, however, we do have a couple of deals scheduled to close shortly.

So, the timing is one of the things that, certainly, drives the estimate, if you will. Because some of those deals could slip into January of next year. Also, obviously, the mix of deals that actually wind up getting closed is a huge factor.

And then, just to further complicate it is all the year-end [ph] book tack (16:35) differences, like rent collected in advance, et cetera, that cause the number to move around with. Bottom line, there's many variables and I could on and on, but given all that, we would expect that the special dividend to be somewhere in the range $160 million to $185 million for 2018.

You had a second question. The leverage...

[indiscernible] (16:56)

Stephen C. Richter
Chief Financial Officer & Executive Vice President, Weingarten Realty Investors

A

Obviously, we are in a great point at this day and time at below 5 times our net-debt-to-EBITDA numbers. We are very comfortable with using some of that should opportunities arise. We don't publish a specific target level, but somewhere we would not want to get and stay in the seven range for very long, so I would say we want to stay somewhere south of that.

Christy McElroy
Analyst, Citigroup Global Markets, Inc.

Q

Okay. And then, just looking ahead to 2019, Drew, you mentioned the headwinds from dispositions, understanding that you'll still have same-store and a like growth, but offset by the dilutive impact of those asset sales, are you trying to communicate anything there in terms of what we should expect next year? I guess the question is, sort of, how can you grow FFO in 2019 when you have this, this dilution?

Andrew M. Alexander
President, Chief Executive Officer & Trust Manager, Weingarten Realty Investors
A

Good morning, Christy. It will be very challenging to grow FFO with a dilution and that's, again, we think the right long-term thing when you look at how we transform the portfolio and de-risk the portfolio. But there is some short-term pain that goes with that long-term gain, to be sure. As I also said, we do think that 2019 dispositions will be significantly less. We'll continue to be opportunistic, I'm not really in a position to put a number around that. But as we look at everything we've sold and how much we've improved things, we're very comfortable that next year will be a lot less than this year, given how much we've already strengthened the portfolio.

Christy McElroy
Analyst, Citigroup Global Markets, Inc.
Q

Thank you.

Operator: From Scotiabank, we have [ph] Greg McGuinness (18:46). Please, go ahead.

Q

Hey, good morning. You mentioned like we're being closer to the bottom end of that same-store and line growth range. In my math that still implies acceleration, same-store and line growth at 3.5%. Is that just on higher occupancy or what is the drivers of that?

Johnny L. Hendrix
Chief Operating Officer & Executive Vice President, Weingarten Realty Investors
A

Hi, Greg, this is Johnny, good morning. Where we're really going to increase next quarter is going to be commencing some of that 578,000 square feet of space through the balance of the quarter. And we've already commenced some of that with -- we opened Sprouts yesterday morning, we've got Gulf Coast, 80,000-square-foot Gulf Coast Hospital, that commenced in October. So, a lot of that acceleration is already built in to the number. But yeah, we are expecting to accelerate in the fourth quarter.

Unidentified Analyst
Q

Okay, thanks. And follow-up here on, different type of question, but what percent of taxable income is currently being disbursed via dividend payments, and how are you thinking about that long-term AFFO payout?

Stephen C. Richter
Chief Financial Officer & Executive Vice President, Weingarten Realty Investors
A

[ph] Greg (19:55) , if I understand your question, we're obviously paying out 100% of our taxable income. And I would tell you, obviously, as we have dispositions going forward into next year, that would probably drive a special dividend as well, but I'm not a 100% sure that I follow where we are for 2018.

Unidentified Analyst

Q

Okay, so I'm just kind of curious how your payout if your tax [ph] blanket (20:26) has changed with the significant level of dispositions that you've had, and whether or not it's creating any pressure on dividend increases?

Stephen C. Richter

Chief Financial Officer & Executive Vice President, Weingarten Realty Investors

A

No, we have the normal dividend. And we kind of bifurcate between the two. The gains that are being generated through the dispositions is being covered by the special dividend. Having said that, it's not quite that simple because we had some excess taxable income that some of the gains covered but and it's, again, we can talk offline, but you can borrow money from the future year to pay the current year's dividend, and so forth. So, there's a little complication in there. But bottom line is we're paying out a 100% of our taxable income.

Unidentified Analyst

Q

And then how are you thinking about the long-term AFFO payout ratio?

Stephen C. Richter

Chief Financial Officer & Executive Vice President, Weingarten Realty Investors

A

I'm not sure exactly, how do you infer...

Unidentified Analyst

Q

On the regular dividend.

Stephen C. Richter

Chief Financial Officer & Executive Vice President, Weingarten Realty Investors

A

We generally have used the regular – or have the policy has been to increase the regular dividend around the same level that we generate increase in earnings, in the FFO, so that has been remained consistent. And I don't see that really changing on the regular dividend side. The special dividend is obviously being driven off of the gains on sales.

Unidentified Analyst

Q

Right. Thank you very much. Appreciate it.

Operator: From JPMorgan, we have Mike Mueller. Please, go ahead.

Michael W. Mueller

Analyst, JPMorgan Securities LLC

Q

Yeah, I'm just curious. I mean, what could be a scenario or some factors that would cause you to re-evaluate dispositions next year and not have them be significantly lower than this year?

Andrew M. Alexander
President, Chief Executive Officer & Trust Manager, Weingarten Realty Investors

A

Morning, Mike. Drew. As I said, I think they will be significantly lower because this year is a very strong year. And as I went through the criteria that we've looked at in terms of improving TAP scores, selling weak tenants, continuing to hone the map, improving the demographic profile. There are some things that – we'd look at selling but it's just not as much and, therefore, I feel comfortable that we'll be decreasing things. We've also reduced the exposure to power centers. But as you know, we're very comfortable with the "supermarket-anchored power center," and I think it all comes down to if we can effectively take risk off the table.

We have a very diversified tenant base, as Johnny touched on in his prepared remarks, and a lot of that is because we've been selective to who we lease to and we've also been able to sell a lot of the weak tenants in advance of the concern. So, hopefully, that answers your question. I can't put a number around it at this time because we will look at things, we will be opportunistic. But I am comfortable that it'll be a lot less because we've so much improved the portfolio over the last several years.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Got it. So, it sounds like it's not going to be a case where even if pricing gets richer or the environment is still attractive to sell, you're going to step up and do it just because you can. It sounds like...

Andrew M. Alexander
President, Chief Executive Officer & Trust Manager, Weingarten Realty Investors

A

To an extent. That's what I mean by we'll be opportunistic that if the gap between private markets and public markets were to widen, I think our responsibility is to do the right long-term thing for shareholders. So when I talk about opportunistic that certainly factors into a specific number. So, I still think it'll be less, significantly less. But as to where it is, when I say opportunistic, if the stock is at an ever-increasing discount to NAV and the private markets continue strong, I think it's the right thing to do for shareholders long-term, of which I'm reasonably a decent one.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Of course, got it. Okay, thank you.

Operator: [Operator Instructions] And from Green Street Advisors, we have Vince Tibone. Please, go ahead.

Vince Tibone
Analyst, Green Street Advisors

Q

Good morning. Can you discuss how renewal discussions are going for anchored space. I'm just curious to know if the solid sales results of many big-box retailers are translating into better market rent growth or are some of these bankruptcies and elevated vacancy rates kind of limiting any rent growth potential.

Johnny L. Hendrix
Chief Operating Officer & Executive Vice President, Weingarten Realty Investors

A

Hey, good morning, Vince, how are you? It's a complicated question because it really all comes down to a specific space in what the current rent is on the property. I think embedded in your question is what is the negotiating leverage like between the landlord and the tenant and, again, it really depends on which space it is. We have had some instances where we felt like reducing the rent was the best case. And we've had some instances where we've had really great rent growth in renewals. There is a discussion with every anchored tenant who's lease is coming up and there is – it's a lot of negotiation and some amount of brinkmanship. We feel like we have really, really great properties.

And in those properties where we don't think the tenant can replace the sales, we are holding strong on those. And in some cases we are parting ways with the tenant. So, I think, clearly, if you look at the leverage on the anchored spaces today, there is more leverage for the tenant than there was two or three years ago. And I think that is part of what we've seen in a little bit slowing on the rent growth. On the other side of that, shop space leasing, we're really getting good rent growth. And I think the landlord has the leverage in many of those cases. If you look at that 578,000 square feet of property that I have coming online, the minimum rent for that is over $23 a square foot. So, I think that's a great number when you look at the average rent of the company, around $19. So, we're improving that. And I think that's a very positive sign. But it always ends up being a case-by-case situation.

Vince Tibone
Analyst, Green Street Advisors
Q

That's really helpful color, thank you. One more for me, can you just talk a little bit about the funding plan for next year, particularly around the developments, given the disposition volume is expected to be much lower?

Stephen C. Richter
Chief Financial Officer & Executive Vice President, Weingarten Realty Investors
A

Good morning, Vince. This is Steve. I think, clearly, where we wind up with dispositions as of quarter end, as I mentioned in prepared remarks, we're sitting in an excess cash position. We obviously have the special dividend that we will fund at the end of the year. Going forward, we have nothing outstanding on the revolver. And I would tell you that would be the primary source of funds, plus whatever we may have in excess cash from dispositions.

Vince Tibone
Analyst, Green Street Advisors
Q

That makes sense. Are you providing how much you think you'll spend next year on the big development or redevelopment projects?

Stephen C. Richter
Chief Financial Officer & Executive Vice President, Weingarten Realty Investors
A

We have not given 2019 guidance yet, but we're – if you kind of look at where we're going – where we are today, it will ramp, we are spending about $50 million a quarter. In Q3, I think, $45 million, $50 million, if my memory is right. And we'll step up a little bit as the three big developments that we have, the two in DC and River Oaks here in Houston, the Driscoll, as those begin to crank up, it will go up a little bit next year.

Vince Tibone
Analyst, Green Street Advisors
Q

Okay. That's helpful. That's all I have.

Operator: [Operator Instructions] And from Capital One Securities, we have Chris Lucas. Please, go ahead.

Chris R. Lucas
Analyst, Capital One Securities, Inc.
Q

Good morning, everybody. I guess I just wanted to chat a little bit about West Alex and Centro, are there – what's the timing for when the apartments will be completed for each of those? And then, what is the timing for when capitalization will cease and you'll start to accrue all the expenses?

Andrew M. Alexander
President, Chief Executive Officer & Trust Manager, Weingarten Realty Investors
A

Hey, Chris, good morning, it's Drew. As you talked about, that remains fluid and at this point, we're actually optimistic that there is a good chance we could accelerate things. So generally speaking, we are looking at into 2021 is when the bulk of things will come on and the project will start to stabilize. We should get something to done sooner, and I know you've met with the team out in the field that we're working to – with the city with Harris Teeter and feel we have some chance to accelerate that.

Stephen C. Richter
Chief Financial Officer & Executive Vice President, Weingarten Realty Investors
A

Chris, this is Steve. To follow-up on the interest cap issue, in terms of -as the rent comes online we cease commencing capitalization. So, it's not all at one time, it's over time. It's on a pro-rata basis.

Chris R. Lucas
Analyst, Capital One Securities, Inc.
Q

Okay, great. So you don't expect any drag to 2019 for the transition of these assets?

Andrew M. Alexander
President, Chief Executive Officer & Trust Manager, Weingarten Realty Investors
A

That's correct. I mean, it will be capitalized in 2019.

Chris R. Lucas
Analyst, Capital One Securities, Inc.
Q

Okay. And then just as it relates to – I guess uses for capital and the – going forward, if you kind of look at the numbers, it feels like maybe $200 million of dispositions next year get you fully-funded for what's on the pipeline, your special dividend and debt maturities for next year roughly. Is there any other opportunities out there as it relates to use of proceeds beyond what sort of laid out in the pipeline as currently needed to spend as well as the modest mortgage maturity for next year?

Andrew M. Alexander
President, Chief Executive Officer & Trust Manager, Weingarten Realty Investors
A

No, I would say that's generally is, as Johnny mentioned in his remarks and me in mine, you know, we are working on a number of deals, both acquisitions that have good upside and development deals that have nice risk reward. There is nothing huge that we see that's compelling, but there are a few things that we think can be, add value. Constantly working on the different redevelopment scenarios, our Palms at Town & Country project will be a multi, multi-year redevelopment effort, and we will certainly enjoy a lot of things there, but there is nothing big that would trigger a lot of capital early next year. So, I think we are in a pretty good spot, that we are seeing some opportunities and, as Steve mentioned earlier, we've definitely got the balance sheet capacity to do it with some cash in the bank and nothing drawn under our line. So, we'll continue to be judicious. We are seeing some opportunities, and we are in a good spot.

Chris R. Lucas
Analyst, Capital One Securities, Inc.

Q

Great. Thank you. I appreciate the time.

Operator: [Operator Instructions] Okay. So, no further questions at the moment. Drew, we'll turn it back to you for our closing remarks.

Andrew M. Alexander
President, Chief Executive Officer & Trust Manager, Weingarten Realty Investors

Thank you, Brandon, and thanks to all of you for your interest in Weingarten for joining us on the call. We look forward to seeing many of you at NAREIT in a couple of weeks. We'll be around if there is any questions. Thanks again so much for your interest, and have a great day.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for joining. You may now disconnect.