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ION Geophysical Corp. (IO)

Q2 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the ION Geophysical Second Quarter 2020 Earnings Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It's now my pleasure to introduce your host, Rachel White, Vice President, Corporate Communications for ION Geophysical. Thank you. You may begin.

Rachel White
Vice President, Investor Relations & Strategy Execution, ION Geophysical Corp.

Thank you, operator. Good morning, and welcome to ION's Second Quarter 2020 earnings conference call. We appreciate your joining us today. As indicated on slide 2, our hosts today are Chris Usher, President and Chief Executive Officer; and Mike Morrison, Executive Vice President and Chief Financial Officer.

Before I turn the call over to them, I've a few items to cover. We'll be using slides to accompany today's call, which are accessible via link on our website, iongeo.com. There you'll also find a replay of today's call.

Before we begin, let me remind you that certain statements made during this call may constitute forward-looking statements. These statements are subject to various risks and uncertainties, including those detailed in our latest Form 10-K and other SEC filings, which may cause our results or performance to differ materially from those projected in these statements.

Our remarks today may also include non-GAAP financial measures. Additional details regarding these non-GAAP financial measures, including reconciliations to the most directly comparable GAAP financial measures, can be found in our earnings release issued yesterday.

I'll now turn the call over to Chris, who will begin on slide 4.

Chris Usher

President & Chief Executive Officer, ION Geophysical Corp.

Thank you, Rachel. Good morning, everyone. Thanks again for joining us. Today, we'll summarize our second quarter results, strategy execution progress, and how we're dynamically positioning ION to succeed in a challenging market. Our second quarter results are consistent with our expectations and the broader oilfield services market due to customer spend contraction related to COVID-19 demand destruction and oil oversupply weighing on the commodity price.

During the quarter, global supply and demand reached a historic imbalance that dramatically reduced prices. However, despite unprecedented market condition, our first-half revenues are greater than or equal to revenues in the comparable 5 – prior 5 years. By quickly scaling our asset-light business to meet lower anticipated demand, we mitigated some of the near-term impacts to our bottom line and cash position. We broke even on adjusted EBITDA despite a 46% year-on-year contraction in revenues. Cash increased significantly, primarily from harvesting our robust first quarter sales, and realizing nearly all the cost reductions we've made.

Our employees' health and well-being remains our top priority. Thankfully, we have had very few documented COVID-19 cases, and I am very pleased with the success of our remote operations. I'm very proud of our team. They've responded dynamically through creative acceleration of our strategy execution, development of fulsome technology solutions, and adoption of new digital engagement models. The combination of our improved cash position, lower cost basis and strategy execution progress will enable us to weather the near-term market disruption and thrive as market conditions ultimately improve.

I'd like to spend a few minutes on market dynamics given the recent volatility. As we mentioned in our last call, a combination of coronavirus demand destruction and increased production resulted in a significant market surplus during the first quarter that caused oil prices to drop more than 60%. As a result, E&P budgets were cut back by an average of 25% this year. This nexus of factors has delayed near-term E&P and seismic spending, but is also a catalyst to drive necessary cost restructuring and digital transformation of the E&P ecosystem. Onshore North America has had steeper declines than the international market, which is positive given ION's geographic focus on global offshore. Even so, we have already seen a material slowdown in offshore seismic activity and expect the second half of 2020 will remain challenging.

In April, oil and gas demand reached a projected low for the year, and a record production agreement was signed to reduce supply. Since then, fundamentals have improved and Brent Crude oil prices more than doubled to $41 at the end of June. Analysts suggest the severe contraction in demand has recovered by half now, and demand is expected to continue rebounding as pandemic restrictions ease. Supply and demand are expected to be more in balance for the second half of the year, which should help stabilize the broader E&P market.

Exploration offerings and data purchases are often discretionary, and therefore receive disproportionately higher reductions than overall budget cuts. Absent a second major wave of COVID-19, the second quarter should be the low watermark in an E&P recovery, but given the uncertainty amid the persistent outbreak, our visibility on the next couple of quarters is more challenging than normal. On a positive note, our customers tell us that their seismic activity levels should rebound to 2019 levels by mid-2021. While multi-client sales of existing data are often cut first, they also tend to be among the first to return with improved budgets.

Many of our customers envision that their mix of budgeted activities will likely be different in the aftermath of this year's unique events. E&P companies will seek to rebalance portfolios in geographies with lower cost barrels, simpler geology, better fiscal regimes, and improved CO_2 footprint. They aim to achieve this high grading by adopting digital platforms for broader data access coupled with machine learning, and improving their ROI with a more rapid transition to remote operations and automation. We continue to drive our main strategic initiatives to extract early benefits from the opportunities this landscape presents.

Let's shift to our E&P Technology & Services business. A salient priority this year is to enter the 3D new acquisition multi-client market. Historically, our data library was largely 2D and exploration-focused, which limited our revenues to about 3% of a $2 billion to $3 billion offshore multi-client market. This strategy shift builds on our 3D multi-client reimaging success, and leverages our Tier 1 imaging and new Gemini seismic source technology. This portfolio diversification to 3D further shifts new project investment closer to reservoir, where capital investment tends to be more consistent, and programs have larger scale revenue and earnings potential.

Despite reduced offshore activity and COVID-19 travel challenges, I'm thrilled we secured prefunding from a major E&P company for a new 3D multi-client program in the North Sea. While we expect to acquire the majority of the program next summer, we may start an initial phase later this year to avoid disruptions from large wind farm installations. As a reminder, our conservative sanctioning approach requires that most new multi-client program costs be underwritten by customers or other financial partners. This new program covers one of the last underexplored sections of the prolific UK continental shelf, where there is limited modern 3D data. Recent play opening drilling ignited interest in this area, which is close to shore and existing infrastructure making it attractive from a risk and cost perspective.

We continued to build on our highly successful portfolio of low cost, high return reimaging programs with a new project in Mauritania. It's the first 3D multi-client client program in Mauritania in partnership with the Ministry of Petroleum, Mines and Energy. We will integrate and reimage about 24,000 square kilometers of the Ministry's 3D data, and can expand the scope to include about 15,000 kilometers of 2D data pending industry support. Leveraging our latest technology and extensive reimaging experience, we aim to significantly enhance the data's resolution and subsurface insights.

On the data library side, it is encouraging that amidst a dramatically reduced spending regime, we sold data in areas without license rounds that fit companies' strategic ambitions. For example, we licensed PanamaSPAN, which had been stagnant awaiting a license around announcement. In Panama, their potential for developing a significant new offshore gas resource while providing a strategically located LNG hub combined with the resurgence of gas as an important theme in E&P energy transition plans, is an example of how our library is helping inform companies and governments as they adapt to the changing E&P landscape.

We're continuing to develop strategic partnerships and innovative business models. The global 2D data collaboration agreement we signed with PGS during the quarter is progressing well, and comes at an opportune time as E&P companies are looking for more efficient ways to identify lower cost prospects to rebalance their portfolios. The combined data library will comprise nearly 1 million kilometers of uniquely complementary data. ION and PGS intend to develop an integrated seamless 2D seismic library over time, creating a comprehensive data-rich environment to inform exploration business decisions for E&P operators. The data will be jointly marketed, increasing our reach and efficiency.

We are continuing to enhance and deploy Gemini, our differentiated, extended frequency source technology. It's a key ingredient in solving many imaging challenges. There is strong recognition and market pull for this technology in and around existing field appraisal and development applications, which are more compelling and mission-critical applications with seismic. We further enhanced the system's robustness after extensive industry-funded testing, and have now validated improvements that uniquely support substantially improved data quality along with better environmental compliance. We expect to have our first commercial deployment of Gemini in the Gulf of Mexico later this summer. The technology has been readily approved by regulatory bodies with permits approved in the US and the UK, and we are progressing approvals nicely in other relevant geographies.

Our Operations Optimization group was able to offset some of the slowdown in seismic activity with digitalization offerings. We continued to see strong uptake of ION AnyWare technology solutions that facilitate remote offshore operations management. We received positive feedback on several deployments with E&P majors during the quarter that praised the comprehensive situational awareness and dynamic dashboard reporting of survey progress that supported their in-field decision-making. The ION AnyWare portfolio will help us protect revenue given the significant headwinds in heretofore services-led business line, and also support digital transformation initiatives across our seismic contractor and E&P customer ecosystem.

As noted last call, we believe now is the time to push hard on our new bridgehead outside of oil and gas in ports and harbors. We continue to receive excellent feedback and endorsements from Montrose Port Authority on how Marlin SmartPort is optimizing berth scheduling and allocations, and automating port operations. Our concerted sales and marketing campaign, including a range of ION and the industry-sponsored webinars, generated several promising opportunities globally across small to large port authorities. We are in the midst of rolling out new Marlin SmartPort trials in Europe and Africa from ports handling from 350 up to 3,500 vessels per year. We are also actively progressing strategic partnerships in this space to broaden our capabilities and industry contacts. Alongside Amazon Web Services, we are securing alliances with other technology and service companies such as global vessel traffic data providers. It is early days, but customer feedback on our deployed solution has been 10 out of 10 so far relatively early in the product lifecycle, and we are now actively validating this value proposition in different geographies with ports of all sizes through the trials now underway.

With that, I'll turn it over to Mike to walk us through the financials, and then I'll wrap up before taking questions.

Mike Morrison

Chief Financial Officer & Executive Vice President, ION Geophysical Corp.

Thanks, Chris. Good morning, everyone. Our second quarter revenues of $23 million were in line with our expectations, and down 46%. Despite lower second quarter revenues, our year-to-date revenues of $79 million were higher than or equal to revenues in the comparable prior five years. In our E&P Technology & Services segment, revenues declined 47% due to lower multi-client data library sales. We had much better line of sight on near-term deal activity and much higher, more focused engagement from clients on specific deals. The PanamaSPAN transaction Chris mentioned is just one example. We continue to focus on developing programs in attractive areas, where capital is flowing, and we are extracting significant value from our investments in Latin America, which accounted for 60% of this quarter's multi-client revenues. Our Imaging and Reservoir Services revenues decreased 36% due to lower proprietary tender activity. However, we are pleased that our E&P Technology & Services backlog increased approximately 70% since the close of the quarter to a total of $17 million at the end of July.

Our Operations Optimization segment revenues were down 43%. Within this segment, our Optimization Software & Services revenues were $3 million, a 41% decline primarily due to the impact of COVID-19 travel restrictions on our services business, which was at record highs just a year ago. However, since our last call, we extended key command and control contracts with three of our largest clients for multiple years. While we don't treat our long-term software contracts as backlog, the reoccurring revenue lease model provides a nice hedge of our software business in such times. Our Devices revenues were $4 million, a 45% decrease due to reduced sales of towed streamer equipment spares and repairs to a hard hit seismic customer base.

Overall, we generated a net loss of $5 million this quarter or a loss of $0.37 per share. Excluding special items, we reported an adjusted net loss of $12 million or a loss of $0.85 per share this quarter. Special items this quarter totaled $7 million, and were primarily related to government relief we received in April that we determined ought to be entirely forgiven pursuant to existing guidance, and therefore recorded this as a onetime credit to our P&L. A detailed reconciliation of special items in our financial results can be found in the tables of our press release issued yesterday.

Our significant cost reduction program along with this government relief clearly helped us mitigate the impact to the bottom line. As a reminder, in response to the adverse macroeconomic conditions, we scaled back our flexible asset-light cost structure earlier this year. In April, we added another $18 million of cost reductions for the remaining nine months of 2020, building on over $20 million of permanent cuts announced in January. The impact of these combined efforts were nearly fully realized as we finished the second quarter, and going forward, we will fully benefit from them.

Cash increased by $24 million sequentially, excluding our net revolver borrowings, primarily from harvesting our strong first quarter sales, and realizing nearly all the previous mentioned cost reductions, and to a lesser extent receiving government relief. Our cash balance was $63 million, including $23 million from our revolver, which we drew as a precaution due to market uncertainty from COVID-19 pandemic and lower oil and gas prices.

Our total liquidity, defined as a combination of our cash balance and the available borrowing capacity under our revolving credit facility, increased 33% from $54 million to $71 million. However, as a result of our lower second quarter revenues, we expect to consume some of our cash in the third quarter, but we are confident we can weather the subdued near-term market conditions due to our improved cash and liquidity position. We anticipate closing the sale of our 49% equity stake in the non-strategic INOVA joint venture, which should deliver a liquidity boost to $12 million in the fourth quarter, subject to closing conditions. We're still actively working with our banking advisors and our largest bondholder to evaluate the best way to address our bond, and remain optimistic that we will resolve it this year, well ahead of its scheduled maturity in December 2021.

With that, I'll turn it back to Chris.

Chris Usher

President & Chief Executive Officer, ION Geophysical Corp.

Thanks, Mike. In summary, our second quarter performance in a precarious market demonstrates our ability to quickly and effectively scale our asset-light business to meet demand. We expect the market to be challenging over the next year, maybe even two, with a material reduction in seismic demand. That said, it looks like absent a second wave of COVID-19, we're past the trough in oil and gas demand, and fundamentals are expected to steadily rebound.

Challenging times also create opportunities. Today's energy transition, much like the structural changes that occurred after Deepwater Horizon in 2008 and shareholder activism starting in 2013, is creating the same impetus to evolve.

So, how are we evolving and positioning ourselves for success? We are internationally-focused offshore which has been less impacted by recent budget cuts. And for the last five years, we have been shifting our E&P portfolio closer to the reservoir, where revenue tends to be higher and more consistent. We further limited our active priorities to improve focus and execution on our most important strategic initiatives to ultimately deliver better results. We streamlined our cost structure this year by 25%, and each business segment is singularly focused on diversifying into a larger high potential return market. Building on our established position and success in the 3D multi-client reimaging market, we secured prefunding for a 3D new acquisition multi-client program, and have multiple promising trials underway to expand the Marlin SmartPort business. We are developing strategic partnerships that can enhance our offerings or accelerate our entry into these markets. We have taken measures to mitigate the impact of coronavirus and oil price volatility including launching new offerings to support remote working for our clients, exploring new business models, and finding new ways to remotely engage. We are embarking on pragmatic digital transformation programs that either add value to our clients, such as enhancing our digital data library platform, or deliver substantial efficiencies, such as migrating our back-office IT infrastructure to the cloud.

We are exploring how ION technology can be more relevant and valuable in the current environment. We are continuing to invest a healthy 10% of revenues in R&D to maintain our technical differentiation in key areas. Last year, more than 30% of our revenues stemmed from new technology and were on track to maintain that ratio for 2020.

We expect data will continue to play an important role in maximizing value while meeting growing energy needs over the next decade, while E&P companies rationalize and rebalance portfolios. We believe demand for digitalization technologies remains robust, and we are accelerating adoption of new and existing solutions. I believe we are well-positioned to weather the near-term market disruption given our improved cash position, lower cost basis, and strategy execution progress.

With that, we'll turn it back to the operator for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Colin Rusch with Oppenheimer & Company. Please proceed with your question.

Noah Kaye
Analyst, Oppenheimer & Co., Inc.

Q

Good morning. This is Noah Kaye on for Colin. Thank you so much for taking the questions. I guess just to start, obviously, we have an environment of lower oil demand. But can you expand a bit more on the interest level you're seeing from companies that are willing to partner now in this environment? And maybe can you also speak to acquisition opportunities that might be arising from this situation?

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.

A

Noah, thank you. This is Chris. Can you hear me okay?

Noah Kaye
Analyst, Oppenheimer & Co., Inc.

Q

I can hear you well. Thanks.

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.

A

Perfect. So, when you say acquisition opportunities, you mean M&A or you mean acquisition of new data?

Noah Kaye
Analyst, Oppenheimer & Co., Inc.

Q

Yeah. Yes.

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.

A

Yeah. Okay. So, yeah, so certainly, it is a period of lower demand, although as we said in the prepared remarks there is actually steady settling in of client engagement and line of sight on 3D projects that is at the lower level than prior or is there simply more certainty around what proceeding. And hence, some of the backlog improvement I mentioned or Mike mentioned in the script. But yeah, there is interest level in partnering for sure. And actually, both our traditional core markets as well as in the new markets we're looking at with ports and harbors. I think in the new markets where we're penetrating, we're very actively working with other folks who have capabilities that are complementary to ours, and there's some readiness [indiscernible] (21:09) of entrepreneurial companies, there's a readiness to work together. So, that's all good, and that's really important as we enter new markets we're less familiar with. So, that's going well. And we do have objectives in that group that they need to land a really commercially beneficial partner in that space by the end of the year.

And in our core business, where we haven't really partnered as much historically, there is definitely a shift in the data provider community to work more together and share risk. Interestingly enough, our customers, the E&P customers share risk all the time as they take acreage, and figure out who's going to support the drilling costs and so forth. And we've done less of that on the data side, and that's increasing a lot. We commented on our partnership with PGS around the 2D data library, which is where we're seeing us having a strong brand recognition and that might help their 2D library. We're also looking in as we enter 3D some of the large-scale projects maybe beyond our balance sheet. So, we're looking to partner with others, and we have active dialogues there. So, there's a lot more discussion and collegiality, let's say, within our peer companies. Now whether that leads to M&A or not, I don't know, but if you keep the doors open, and you understand who's good at what, and how those things fit together, I mean that's a natural, probably if anything did happen in terms of consolidation, your partnership might be a way that start some of that going.

Noah Kaye
Analyst, Oppenheimer & Co., Inc.

Q

Yeah. That makes sense. It's very helpful color. Thanks. And I guess just one more, you touched on it during the prepared remarks, but maybe just give a bit more of an update on your thinking on the plans for refinancing those 21 converts, so where are you in the process, and what are some milestones we should be looking for?

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.

A

Yeah. I mean, we're definitely making progress on that. And I'll hand that over to Mike.

Mike Morrison
Chief Financial Officer & Executive Vice President, ION Geophysical Corp.

A

Yeah. Thanks, Chris, and appreciate it, Noah. Yeah. So, I'll tell you our bond is pretty concentrated, so that we know definitely who to talk to, and we're in those conversations with them. So, not going to go through the details of kind of what we're thinking, and what it could look like, but everything is on the table. So what I would say is we – one of our key objectives is to have it dealt with well prior to its maturity. So, really looking to have the plan in place and executed to it by the end of this year. We think we're still on track for that. So, I would expect between now and sometime and then, we will be announcing – hope to be announcing something in more detail, but right now, it is – I'd just say it is progressing, and we remain optimistic.

Noah Kaye
Analyst, Oppenheimer & Co., Inc.

Q

Great. So, I'll stay tuned, and appreciate the update. Thanks so much, guys.

Mike Morrison
Chief Financial Officer & Executive Vice President, ION Geophysical Corp.

A

You're welcome.

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.

A

Thank you, Noah.

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Amit Dayal with H.C. Wainwright. Please proceed with your question.

Amit Dayal
Analyst, H. C. Wainwright & Co. LLC

Q

Thank you. Good morning, Chris. Good morning, Mike.

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.

A

Good morning.

Amit Dayal
Analyst, H. C. Wainwright & Co. LLC

Q

Hey. So, with respect to the total programs right now, including the Mauritania win and the North Sea project, like how many total programs do we have going on?

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.

A

How many other – I didn't quite hear you. How many other programs do we have going on, is that what you said?

Amit Dayal
Analyst, H. C. Wainwright & Co. LLC

Q

How many total programs currently?

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.
A

Yeah. We have multiple programs underway. We have about – we have – we sanctioned since the beginning of 2020 three new large multi-client reprocessing, 3D multi-client reprocessing jobs that are underway. So, we've got Brazil, we've got Uruguay, and another, so. And we continue to add to our large Picanha data set in Brazil. So, one of those is the next phase of the Brazil program.

Amit Dayal
Analyst, H. C. Wainwright & Co. LLC
Q

Okay.

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.
A

And we have other projects which have been ongoing sanctioned last year as well. So, eight or so nine large reprocessing projects going all the time whether it's 2D or 3D.

[indiscernible] (25:23)

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.
A

And we do have the backing for the new 3D that you mentioned in the North Sea, that hasn't commenced yet as we said.

Amit Dayal
Analyst, H. C. Wainwright & Co. LLC
Q

Okay.

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.
A

We also have line of sight on several other large 3D. So, we have shifted our focus rather than really pushing 2D new programs, we're looking to start new 3D programs, and probably less of them but larger scale. So, we have a line of sight dramatically more than this time last year on those kind of things, some of which could start this year.

Amit Dayal
Analyst, H. C. Wainwright & Co. LLC
Q

Understood. So, along those lines, so how much of the revenue pressure right now is attributed just to the ability to operate normally versus volatility in the energy markets? The energy market seems to have rebounded somewhat from the lows of the year, and you are sort of adding new projects, and order activity seems to be picking. But if you can't go out and do the work, revenue would remain pressured a lit bit.

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.
A

Right. So, there's two aspects to it. One is the impact on budgets from the reduced demand earlier this year. So, we're obviously living in a situation where there's less oil company budget to do new projects, but projects are happening within that reduced budget framework. And our objective is of course to get more of that pie than we have in the past. So, it's a – and we were already making progress on that before the world changed, and we're still making progress on that, so that's a good thing. But the other thing is once you land them or sanction them, yeah, can you execute them given the geographic constraints and quarantines related to moving people around offshore. So, two things on that. We're mitigating some of that with our own operations under the ION AnyWare umbrella that we can support a lot of things from shore with remote capabilities, but obviously, a physical vessel does have to go record data.

All of our partners or suppliers who did that work have worked extremely well around quarantines, and having their vessels ready to do the work. Some country borders have been closed, but they're opening up as people understand the protocols. The other thing I'd say is our industry trade association, the IAGC, has worked very hard with governments, not only in the US, but worldwide to help them understand the kind of preparedness that our industry and the vessel providers have for working in a COVID-19 world, and that is helping to open up borders and move people around. So, I think some of the pressure is there, there was a real hit on that in the beginning of the quarter last quarter, but that'll be it. So, I think our ability to get some of that stuff done now is improving. I think it did slow things down for a bit in Q2. But I would say it's improving on both of those fronts.

Amit Dayal
Analyst, H. C. Wainwright & Co. LLC

Q

Understood. I appreciate that color. And just maybe just last one from me. With respect to the INOVA sale, it looks like you are potentially closing this in the fourth quarter. Just wondering why it's taking so much time, just – is it just the coronavirus issue, or is there anything else in the diligence process that needs to be completed and is taking longer than expected?

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.

A

Yeah. So, we knew coming into this year that it was probably going to be in the second half just due to the – one of the requirements is to clear some antitrust issues. So, that's been percolating, and that has been slowed down by coronavirus and other things. So, that's just – that's one of the regulatory things that has to have the box ticked before it can proceed. Other than that, we're having regular dialogues with the potential acquirer of our shares, and that seems to be on track. So, it's really that process and how well that – how well they get through that.

Amit Dayal
Analyst, H. C. Wainwright & Co. LLC

Q

Understood. Thank you, Chris. [indiscernible] (29:13)

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.

A

Amit, thank you so much.

Operator: Thank you. [Operator Instructions]

Thank you, ladies and gentlemen. That concludes our question-and-answer session. I'll turn the floor back to Mr. Usher for any final comments.

Chris Usher
President & Chief Executive Officer, ION Geophysical Corp.

Yeah. Thank you, everyone, for participating this morning. We look forward to speaking with you on the third quarter conference call, and giving you further updates on the progress on our key initiative areas, and how we're progressing on continuing to improve our backlog that we highlighted. Thank you so much.

Operator: Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.