



**Nemak, S.A.B. de C.V.**

**Third Quarter 2020 Earnings Conference Call**

**October 22, 2020**

## C O R P O R A T E P A R T I C I P A N T S

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**Armando Tamez**, *Chief Executive Officer*

**Alberto Sada**, *Chief Financial Officer*

## C O N F E R E N C E C A L L P A R T I C I P A N T S

**Alejandro Chavelas**, *Credit Suisse*

**Luis Yance**, *Compass Group*

**Alejandro Azar**, *GBM*

**Gilberto Garcia**, *Barclays*

**Horacio Coutino**, *Afore*

**Marcelo Motta**, *JPMorgan*

## P R E S E N T A T I O N

### **Operator**

Good morning, everyone, and welcome to Nemak's Third Quarter 2020 Earnings Call.

Armando Tamez, Nemak's CEO, Alberto Sada, CFO, and Adrian Althoff, Investor Relations Officer, are here this morning to discuss the Company's performance and answer any questions you may have. As a reminder, today's conference is being recorded, and will be available on the Company's Investor Relations website.

I will now turn the call over to Adrian Althoff.

### **Adrian Althoff**

Thank you, Operator. Good morning and welcome, everyone. We very much appreciate your participation.

Armando Tamez, our CEO, will lead off today's call by providing an overview of business and financial highlights from the quarter, as well as an update on our outlook for the remainder of the year. Alberto

Sada, our CFO, will then discuss our financial results in more detail. Afterwards, we will open up for a Q&A session.

Please also note that we are accompanying our opening remarks today with a live webcast presentation. To view the slides, just click on the webcast link available in our Earnings Call invitation or on the homepage of our Investor Relations website.

Before we get started, let me remind you that information discussed on today's call may include forward-looking statements regarding the Company's future financial performance and prospects, which are subject to risks and uncertainties. Actual results may differ materially, and the Company cautions not to place undue reliance on these forward-looking statements. Nemak undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

I will now turn the call over to Armando Tamez.

### **Armando Tamez**

Thank you, Adrian. Hello, everyone, and welcome to Nemak's Third Quarter 2020 Conference Call.

As we mentioned in our Earnings report issued yesterday, we saw sustained recovery in our business as well as the broader automotive industry in the period. In this regard, our rigorous implementation of preventive measures to keep our people safe proved essential. Our follow-through on the practices and principles outlined in our COVID-19 Control Plan made it possible for us to normalize operations following a second quarter marked by widespread production shutdowns. While it is difficult to predict the future course of the pandemic, I am confident that we have the knowhow required to continue to protect our people while adapting to meet the evolving needs of our customers in these extraordinary times.

During the third quarter, we capitalized on a more favorable industry backdrop, delivering consolidated volume in line with pre-COVID levels. Moreover, we successfully harnessed operational efficiencies linked to ongoing restructuring efforts, enabling us to achieve greatly improved financial results on a sequential basis.

Despite seeing year-over-year reductions of 5% and 7% in volume and revenue, respectively, EBITDA finished 28% higher, with a resulting unitary EBITDA of \$17.60 per equivalent unit representing the best-ever mark in our history. In turn, the combination of efficiencies and volume I just described helped us to generate sufficient cash flow to fund our business without having to tap into any additional funds from credit facilities in the period.

Our progress in this regard also includes the wind-down of our manufacturing operations in Canada in the quarter, which represented another important step towards reinforcing the long-term sustainability of our business. As you may recall, this process had been initially set in motion last year, with the objective of further optimizing costs amidst a decline in capacity utilization at the facility. I am deeply grateful to our entire organization for contributing to making our operations leaner and more efficient. Going forward, I am confident that through maintaining a relentless focus on cost reduction priorities across our P&L, we will remain well positioned to emerge post-pandemic as an even stronger Company.

I would also like to take this opportunity to reiterate our commitment to maintain a prudent approach to managing liquidity and our balance sheet. We have been pleased to see recognition of these efforts among the main rating agencies. As you may already know, all of them ratified our existing credit rating during the quarter.

Our recent focus on cash preservation has served us well, giving us greater flexibility to address funding needs amidst a period of increased uncertainty. By the same token, assuming industry conditions either remain stable or continue to improve, we intend to shift our focus as soon as possible towards potential measures aimed at accelerating the deleveraging process. Based on our current visibility, we believe it may be possible to bring our net debt to EBITDA ratio back down to 2019 levels by mid-2021.

Turning to corporate matters, this past August our parent company, ALFA, announced that its shareholders have approved a proposal to transfer its entire share ownership in Nemak to a newly-created entity to be listed on the Mexican Stock Exchange. This transaction is subject to customary legal and regulatory approvals, which they are in the process of obtaining. I would like to take this opportunity to reiterate that we see this transaction as a positive next step in our growth and transformation journey. Through becoming a fully independent Company, we believe that we will be in an even better position to drive long-term value creation for Nemak stakeholders.

I would now like to move on to provide an overview of recent highlights in the implementation of our 2025 strategy, which have included progress toward the launch of new products for e-mobility and structural applications, as well as incremental growth in our backlog of awarded business in this segment.

I am pleased to share that earlier this month we reached a new milestone in our efforts to support our customers' shift towards electrification, initiating series production of battery housings for the fully electric Ford Mustang Mach-E at our new Electric Mobility Center in Monterrey, Mexico. For these parts, we are leveraging state-of-the-art robotic joining and assembly technologies to support crash safety, battery cooling and design tolerance management, as well as the integration of the battery pack into the chassis of the vehicle, among other requirements.

Moreover, with a pipeline of additional new product launches scheduled over the next 12 to 24 months, the facility is poised to become a hub of Nemak production for the growing EV market into the future. Today, our production of e-mobility and structural applications spans a total of seven sites globally. In addition to Monterrey, it consists of two sites in the U.S. and one each in Germany, Poland, Slovakia, and China.

Moving on to sales and marketing activities; we made further inroads in growth opportunities linked to electric vehicles in the quarter, winning a new contract to deliver battery housings for the fully electric applications of a leading, Europe-based manufacturer of commercial vehicles. We will be tapping into existing capacity to produce these parts. Additionally, I would like to highlight that we will be supplying up to 23 battery housings per commercial vehicle, reflecting the considerable size and battery capacity requirements of these vehicles.

The project offers yet another reminder of the role of government regulation in facilitating the advance of electrification in our industry. While these are still early days, the adoption of more stringent emission reduction targets has already served as a catalyst for vehicle manufacturers to make electrified offerings central to their long-term production plans. What's more, such measures are supporting not only their effort regarding passenger vehicles, which have been their main priority up until now in terms of electrification, but increasingly commercial vehicles as well, including light-, medium-, and heavy-duty trucks.

Given the versatility and flexibility of our technology portfolio across castings, as well as joining and assembly processes, I am confident that going forward, we are well-positioned to continue to capitalize on what we see as a growing addressable market for our lightweighting solutions amidst the electrification trend, both in terms of light vehicle and commercial vehicle segments.

For the third quarter, we won new contracts in our main product lines worth a total of approximately \$230 million in annual revenue, one fourth of which represented incremental business. Taking into account the new business in battery housings I just described, our total order book in e-mobility and structural applications stands today at around \$850 million in annual revenue. Given our continued progress in this regard, I am confident that we remain on track to surpass our goal of capturing contracts in this segment worth \$1 billion in annual revenue by 2022.

With that, I will hand off the call to Alberto, Nemak's CFO.

### **Alberto Sada**

Thank you, Armando, and good morning, everyone. I will share some additional information on our performance during the quarter and expand on Armando's comments regarding industry trends and financial results.

Light-vehicle sales and production across North America and Europe, our main markets, showed an overall recovery trend in the quarter, aided by the release of pent-up demand and better general economic conditions compared to the last quarter.

Regarding North America, annualized U.S. light-vehicle sales SAAR were up substantially from the previous period, reflecting the sequential improvement I just described, but were still 9% year-over-year. Light-vehicle production in the region showed an even greater turnaround on a sequential basis than light-vehicle sales; the former finished at pre-COVID levels, aided by the ramp-up of post-lockdown restocking initiatives among certain automakers.

Turning to Europe, industry trends were generally positive compared to the previous period, largely on the easing of lockdown measures, as was the case in North America. Additionally, certain countries implemented targeted stimulus measures, which provided further support for sales, particularly in the electric vehicle segment. Nonetheless, light-vehicle sales and production were 11% and 15% lower, year-over-year, respectively.

Meanwhile, the rest of the world region saw, on the one hand, higher light-vehicle sales and production in China for the second consecutive quarter, while on the other hand, Brazil still lagged behind as effects of the pandemic continued to weigh on the industry.

Nemak's volume also recovered sequentially to levels aligned to our guidance, finishing 6% lower year-over-year in North America and Europe. As you may recall, our initial guidance, issued last February, assumed effects related to lower customer productions, as well as a reduction in export from North America to China. In contrast, rest of the world posted a 10% increase in volume, mainly on the back of improved sales in China. In turn, lower volume, and to a lesser extent aluminum prices, yielded a year-over-year decrease of 7% in revenue at the consolidated level.

Moving on to our results; during the quarter, we delivered improved financial performance, largely on the back of recent cost reduction initiatives. Following the completion of a thorough assessment of potential opportunities in this regard, we made the difficult decision to reduce our workforce, while at the same time, working to minimize all operating costs and discretionary spending. We achieved this in part through the implementation of flexible production schemes and maintaining discipline in containing our salaried structure.

Additionally, we continued to minimize expenses on maintenance, rents, contracted services and travel, among others. As a result, we delivered year-over-year reductions of 9% in cost of goods sold, and 28% in SG&A. This outcome was in line with our initial goal for the period, reflecting a total of around \$60

million in cost savings, which we were able to hold onto from the second into the third quarter. This experience helps to reinforce our expectations that most of our recent efficiencies will be sustainable over the medium and long-term.

Rounding out our consolidated results, EBITDA was \$178 million, 28% higher year-over-year, reflecting the factors I just described. In turn, we reported our best-ever unitary EBITDA in our history, of \$17.60 per equivalent unit.

Operating income was \$57 million higher year-over-year, driven in part by the factors supporting EBITDA. Additionally, there was a comparison effect in the same period last year, when we recorded a non-recurring, non-cash asset impairment charge related to the wind-down of our manufacturing operations in Canada. Meanwhile, net income was \$92 million higher than a year ago. In addition to the factors I just described, it benefited from non-cash exchange rate effects on financial expenses and taxes.

During the third quarter, positive free cash flow generation enabled us to reduce net debt from \$1.5 billion to \$1.4 billion while keeping cash levels nearly unchanged. In addition to the positive developments I just described in our business, our disciplined approach to capital allocation made a difference in this regard, as we recorded a cap ex of \$49 million, which was more than \$25 million below our original expectations for the period. In line with our ongoing focus on prudent financial management, we repaid \$110 million of the medium-term committed credit lines we had drawn earlier this year.

At the close of the third quarter, our net debt to EBITDA ratio stood at 3.4 times. However, adjusting for the impact of the severance payments we announced in the second quarter, this figure would have been 3.1 times. As long as the industry conditions remain stable, we will continue our deleveraging efforts in coming periods. To this end, we will move first towards repaying our committed credit lines, enabling us to maintain flexibility in case a need arises to tap into further liquidity again in the future. At the close of the third quarter, we had, all together, more than \$200 million in unutilized committed and uncommitted credit lines available.

I would like to conclude by summarizing our regional results. As we already discussed, the combination of restructuring efforts and sequentially higher volume represented the main catalyst of our consolidated EBITDA. In North America, our EBITDA was 15% higher than last year, despite the fact that volume was 6% lower. In Europe, our EBITDA finished up 62%, reflecting efficiencies, exchange rate effects and a positive effect associated with increased production to replenish our inventories of products.

Regarding rest of the world, even though Brazil saw softer volume than other regions, mainly on COVID-related effects, we saw continued strength in our China volume, helped drive an increase of 21% and 11% in revenue and EBITDA, respectively.

With that, I would now like to hand the call back to Armando.

**Armando Tamez**

Thank you, Alberto.

We would now like to provide an update on our outlook for the rest of 2020. Given the improved conditions that we are seeing in our industry, along with our continued implementation of measures to make our business more efficient and resilient, we believe that we are now in a good position to produce reliable estimates on our full-year results.

Our revised 2020 guidance is as follows: volume of 35 million equivalent units; revenue of \$3.1 billion; EBITDA of \$425 million; and cap ex of \$250 million. Please note that these estimates assume no further impact from COVID-related production stoppages through year-end.

With that, we conclude our presentation and we will open the call for Q&A. Operator, can you please instruct the participants on how to place their questions?

**Operator**

Yes, thank you. At this time, we'll be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

Your first question comes from the line of Alejandro Chavelas with Credit Suisse. Please proceed with your question.

**Alejandro Chavelas**

Hello, (inaudible), thanks for taking our question and congratulations on the great results.

I have two questions from my side. The first one, could you repeat the EBITDA guidance for 2020? I didn't catch it.

The second one was, regarding the enactment of the new USMCA treaty this year, obviously regional content will have to increase significantly in the next two or three years. Do you think this could be a tailwind for your volumes, and have Asian or European OEMs approached you to find ways to collaborate on this process? Thanks.

**Armando Tamez**

Thank you, Alejandro.

Let me repeat for the benefit of everybody our guidance. Our guidance related to volume is estimated at 35 million equivalent units; revenues of \$3.1 billion; EBITDA of \$425 million; and Capex of \$250 million. Those are the figures that we are assuming for the entire 2020.

On the second question, Alejandro, yes, we believe that now that the USMCA is effective and in place, that that would mean that the OEMs will need to increase content from 62.5% to 75%, of the vehicles that need to be produced in North America. I think that will be beneficial; there is a lot of parts that today are imported mainly from Asia, some also from Europe. We believe that there will be more integration. As we speak, we have been approached already from some European, as well as Asian potential customers, and we are in conversations with them.

We see a positive trend with the signature of the new trade agreement with the U.S., Mexico and Canada.

**Alejandro Chavelas**

Thanks.



As a follow-up question, could you perhaps quantify the size of these opportunities coming for your products in particular from this initial trend? How much of the market do you think is currently from imports from Asia or Europe to North America, or looking at your global platform, what do you think the size of the opportunities in that case?

**Armando Tamez**

Yes. I think there will be certain auto parts that will be benefited by this trend, mainly, I would say, on the powertrain side. Some of the European customers are exporting engines as well as the Asian, are exporting engines and transmissions from Asia or Europe to North America, so we will see a benefit. I think it's a little bit too early to tell exactly what is going to be the benefit, but certainly, once we have more clarity, we would share those with you and the rest of the analysts.

**Alejandro Chavelas**

Thank you very much.

**Armando Tamez**

Thank you.

**Operator**

Your next question comes from the line of Luis Yance with Compass. Please proceed with your question.

**Luis Yance**

Oh hi, guys, thanks for taking my questions, and congratulations on the quarter.

Two questions on my side; just looking at the recent guidance you just gave, it suggests a sequential decline on an EBITDA basis. Just wondering if you could comment about what's driving that; is it seasonality, is it some one-time benefit that you saw in the third quarter that won't be recurring in the fourth quarter, any color there would be helpful.

Then the second question, more long-term, as you spin off, as you get out of the parent company, I guess, what should we expect that could change in terms of your strategy, in general terms? Or would it remain the same?

Then a last question more on the short-term is, once Nemak-Holding gets listed, is it fair to assume that merging the two entities, Nemak and Nemak-Holding, would be done relatively quick, or is there something that could delay that process? Thank you.

**Alberto Sada**

Thanks for your question, Luis, this is Alberto.

Related to your first question on the assumption for the guidance and the implicit fourth quarter result, correctly as you highlight, there is a sequential drop in EBITDA. That's consistent with the seasonality of our yearly results. Normally on the fourth quarter, we have the scheduled stoppages of operations in the month of December, both for holidays as well as for eventual retooling, but mostly we do certain levels of maintenance that we don't do during the year. The level of, let's say expenses in that regard, is just slightly higher on the fourth quarter than any other part of the year.



That's incorporated in our view for the full year, as well as some of the external aspects that we had on the third quarter that won't be recurring the next one, particularly the incrementing in inventories that had a mid-single digit effect on the third quarter results.

**Armando Tamez**

Taking the second portion of your question, Luis, related to the strategy, we don't see that we will change the strategy. I think we are totally aligned, and we set the 2030 strategy already in place, which is basically to continue improving our core business, which is on the powertrain side, and also looking for opportunities on the EV side, on electric vehicles where we see a lot of opportunities to capture new and profitable business, as well as on the structural side.

I think it would be very positive as we've seen, in our view, and also from the auto part perspective, that Nemak will become independent. That will give us opportunity to potentially (inaudible) additional opportunities we may look at perhaps in the future, look for other opportunities that, today, we were not able to, let's say, get, based on the high dividends that we were paying. But certainly, that will be need to be approved by the Board of Directors, as well as by the shareholders meetings. Basically, we believe that the Company is ready and mature to be completely independent and we are looking forward for that.

Related to, for instance, the potential marriage of Nemak and Controladora Nemak, definitely that's a possibility and is going to be a matter of mature holders to define when these two entities will marriage. But most likely, it will be sooner than later.

**Luis Yance**

Great, thanks a lot, guys, for the answers.

**Armando Tamez**

Thank you.

**Operator**

Your next question comes from the line of Alejandro Azar with GBM. Please proceed with your question.

**Alejandro Azar**

Good morning, Armando, Alberto. Congratulations on the results. I have three quick ones. The first one is related to the inventory effect you mentioned in Europe, Alberto. I don't recall if you mentioned meeting of (inaudible); would that explain the \$5 million EBITDA, or what do you mean by that?

The second one is, Armando, if you can mention the figure of your current quotation pipeline on your structural and electric vehicle business?

The last one, regarding your new cost structure, if it would be fair to say that EBITDA per unit, post-COVID, should be around 25% above your EBITDA per unit pre-COVID? Thank you.

**Alberto Sada**

Yes, Alex. Related to that question on the inventory effect, as I explained earlier, this has to do with our operations replenishing our own inventory that was depleted in the previous quarters. When you have

that, there is a corresponding cost that is assigned to the balance sheet; so there's a cost absorption, and as you correctly highlight, that's mid-single digits, around the figure that you just mentioned.

**Armando Tamez**

Yes. Alejandro, related to the quotation pipeline, today, we have in front of us approximately about \$1.2 billion of potential business opportunities. I would say that about 75% to 80% of that comes from EV components. We are very well-positioned.

Just to also provide more information to the benefit of everybody, we have seen a significant increase in demand for growing hybrid components. There is, as everybody knows, strict regulations, mainly in Europe, that is forcing OEMs to increase, significantly, the demand for electric vehicles, and those are mainly hybrids. There are a lot of incentives that the European Union is providing to customers of new electric vehicles, so that includes, certainly, hybrids.

We have seen, as we speak, a significant increase in the demand, and certainly we see this pipeline as a great opportunity for us. That's why, when I was mentioned in my speech, we are very confident to not even meet but surpass the \$1 million goal that we set for 2022, and we truly believe that we will achieve that earlier than 2022.

**Alberto Sada**

Alex, related to your last question about the improvement in cost, certainly, the big efforts that we're doing are paying off, as we said, and we are assuming that we will continue with this cost performance improvement in the future. That effectively has a direct effect on our profitability, and certainly we're seeing a round effect on EBITDA per unit, which is consistently higher in next year than what we have achieved pre-COVID. We expect a big portion of those cost reductions to continue, in the same fashion as what we experienced in the third quarter.

**Alejandro Azar**

Excellent. Thank you both for the color.

Just a quick follow-up on the \$1 billion target for 2022, and just to clarify this; you guys mean \$1 billion in sales, or \$1 billion in backlog?

**Armando Tamez**

Yes, it's \$1 billion in backlog, Alex. It will take a little bit longer to get, let's say, the product online, but we're estimating that, by 2023, 20% of revenues will come out of the electric vehicle components, as well as structural parts.

**Alejandro Azar**

Great. Thank you, Armando, again, and Alberto, for the color, and congratulations on the results.

**Armando Tamez**

Thanks, Alex.

**Operator**

Your next question comes from the line of Gilberto Garcia with Barclays. Please proceed with your question.

**Gilberto Garcia**

Hi, good morning. Thank you for the call.

Another follow-up on your EBITDA per unit; I know you usually give guidance for the next year until after you report fourth quarter numbers, but do you have any early estimates of what your EBITDA per unit could be on an annualized basis in 2021, and do you have any color you can share on volume growth for next year? Thank you.

**Armando Tamez**

Yes, thanks for the questions, Gilberto.

As we speak, we are going through our budgeting process, so certainly we're doing a very thorough exercise on our plans for next year. We'll be sharing—unfortunately we cannot give any guidance at this point, but we'll certainly share that on our next conference call. But certainly, our expectation is that our cost reductions will continue in the same fashion as what we had, so we should be seeing better margins.

**Gilberto Garcia**

Okay, thank you.

**Operator**

As a reminder, if you'd like to ask a question, please press star, one on your telephone keypad. One moment, please, while we poll for questions.

Your next question comes from the line of Horacio Coutino with Afore (Inaudible). Please proceed with your question.

**Horacio Coutino**

Hi guys, thank you for taking my question.

I'd like to know if you could provide more color on what the asset allocation strategy is going forward? I think consensus expects a lower dividend payout ratio, but—I mean, it's also been a while since you did the last acquisition.

My second question would be regarding EV and structural components for e-mobility solutions. It looks like the market share of electrical vehicles is growing faster in Europe than it is in North America. My question is, how...

**Armando Tamez**

Horacio, are you still...? Sorry.

**Operator**

It looks like Horacio has disconnected. We'll wait for his line to jump back in.

**Armando Tamez**

Okay.

**Operator**

For the meantime, your next question comes from the line of Marcelo Motta with JPMorgan. Please proceed with your question.

**Marcelo Motta**

Hi, good afternoon, thank you very much.

Two quick questions; first, if you could comment how much EV and the structural components represented of third quarter revenues, so just for us to understand the contribution that it is having to the business today. Also, if you could comment a little bit about the evolution of—volumes grew in the quarter, right? I mean, I guess probably July was much weaker, then it started to improve August and September was a much better month. Just trying to understand, somehow, how was the running rate; it could be the capacity utilization or level of volumes or revenues, just to understand how the pickup in the sectors had been during the months of the third quarter? Thank you.

**Alberto Sada**

Sure, Marcelo, thanks for your question.

Certainly, we have been seeing good developments on the EV and structural component segment, but certainly also, they have been affected by the effects of COVID. On a full-year basis, we're expecting that the revenue on this segment should be around \$200 million, the revenue margin. Again, that is a result of the situation that we saw on the second quarter, and gradually the OEMs resuming their operations and launches of their components. Gradually, that should continue to be increasing and resuming to the original expectations that we saw.

I hope this answers your question.

**Marcelo Motta**

No, that was very clear. Thank you.

**Operator**

As a reminder, if you would like to ask a question, please press star, one on your telephone keypad. One moment, please, while we poll for questions.

At this time, there are no further questions, and I'd like to turn the conference over back to Mr. Althoff for any additional or concluding remarks. Sir?

**Armando Tamez**

Let me just, before we move into Adrian, try to answer the question that Horacio made. Hopefully he is on the call.

Horacio, related to capital allocation, certainly, we will be very sensitive to capital allocation, try to optimize our cap ex, use our existing capacity that we have across the world. Today we're operating at about 60% capacity utilization and our target has been to try to reuse existing assets. Certainly, we will invest in projects that we believe, first, will make strategic sense, and second, economic sense. They need to meet both criteria for us to invest and confirm contracts with the customers.

Related to emissions, certainly today, Europe has more strict standards than anywhere in the world and the European community is pushing very, very hard to reduce CO2 emissions, and of course, electric vehicles as well as hybrids will play an important role.

In the U.S. market, under President Obama as he set tougher regulations, after Mr. Trump took office, they went back to reduce the miles per gallon or the (inaudible) regulations. We don't know the outcome of the U.S. election, and eventually we may have a change. We don't know yet.

But certainly, Nemak is prepared in both sides, either to continue strong on the core powertrain side, or move forward with the electrification strategy, what we have set in place for the last few years. Hopefully that will answer the questions that Horacio made.

With that, I will pass the microphone to Adrian.

**Adrian Althoff**

Thank you very much, Armando.

I would just like to thank everyone for participating in today's call. Please feel free to contact us if you have any follow-up questions or comments. Have a good day.

**Operator**

Ladies and gentlemen, this concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.