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PepsiCo, Inc. (PEP)

Q3 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to PepsiCo's 2022 Third Quarter Earnings Question-and-Answer Session. Your lines have been placed on listen-only until it is your turn to ask a question. [Operator Instructions] Today's call is being recorded and will be archived at www.pepsico.com.

It is now my pleasure to introduce Mr. Ravi Pamnani, Senior Vice President of Investor Relations. Mr. Pamnani, you may begin.

Ravi Pamnani

Senior Vice President-Investor Relations, PepsiCo, Inc.

Thank you, operator. I hope everyone has had a chance this morning to review our press release and prepared remarks, both of which are available on our website.

Before we begin, please take note of our cautionary statement. We may make forward-looking statements on today's call, including about our business plans and our updated 2022 guidance. Forward-looking statements inherently involve risks and uncertainties and only reflect our view as of today, October 12, 2022, and we are under no obligation to update. When discussing our results, we refer to non-GAAP measures, which exclude certain items from reported results.

Please refer to our third quarter 2022 earnings release and our third quarter 2022 Form 10-Q available on pepsico.com for definitions and reconciliations of non-GAAP measures and additional information regarding our results, including a discussion of factors that could cause actual results to materially differ from forward-looking statements.

Joining me today are PepsiCo's Chairman and CEO, Ramon Laguarta; and PepsiCo's Vice Chairman and CFO, Hugh Johnston. We ask that you please limit yourself to one question.

And with that, I will turn it over to the operator for the first question.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] One moment for our first question. Our first question comes from Andrea Teixeira with JPMorgan. Your line is open.

Andrea Teixeira
Analyst, JPMorgan Securities LLC

Q

Thank you. Good morning and congrats on the results. I was hoping to get more clarity on both the price elasticity and the reinvestments you called out. We all appreciate that you're conservative, but it seems that you're embedding a 7% organic growth for the fourth quarter. And given the high-single-digit pricing, are you expecting volumes to be negative in the range of 2% or 3% against a 1% negative that you got in the Q3? And then if I may, I can, I want to ask a cash flow question.

Hugh F. Johnston
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

A

Yeah. Hey, Andrea, it's Hugh. Obviously, we've seen elasticity continue to be strong and stronger than expected through three quarters of the year. So, in terms of the math that you've done, the math is certainly accurate. And obviously, we are carefully watching what happens with the consumer.

We obviously exited the third quarter with the consumer still very healthy in terms of our particular categories. I'm not sure that's true broadly with housing and other big-ticket purchases. So, we'll see what elasticities look like in the fourth quarter, but I don't disagree with your math, what you've said is accurate.

Andrea Teixeira
Analyst, JPMorgan Securities LLC

Q

Thank you. If I can squeeze the – sorry.

Ramon L. Laguarta
Chairman & Chief Executive Officer, PepsiCo, Inc.

A

Yeah. Yeah, this is Ramon. With regards to reinvestments, the philosophy we've been using in the last few years to continue to balance the short term and long term, I think it's realizing in good performance. We continue to invest in our brands.

We're investing a lot in digitalizing the company and some of the long-term sustainability bets that we're making as well. So, we continue with that, and next quarter will not be different than any of the other quarters that – in the year. So, you should assume that we're looking at reinvesting in the next quarter and entering 2023 with strength on the commercial side and on the investment side.

Andrea Teixeira
Analyst, JPMorgan Securities LLC

Q

Thank you, Ramon and Hugh. I'll pass it on.

Operator: One moment for our next question. Our next question comes from Lauren Lieberman with Barclays. Your line is open.

Lauren R. Lieberman
Analyst, Barclays Capital, Inc.

Q

Great. Thanks. Good morning. I was just struck again by the strength in the pricing particularly – well, everywhere, but particularly in Europe and how even though volumes are off holding on really well. So, just curious knowing how much of that business is skewed towards Western Europe. If you could talk a little bit about revenue management versus straight list pricing? What you can tell us just to put a little bit more context and color around how that magnitude of pricing is being realized? Thanks.

Ramon L. Laguarta
Chairman & Chief Executive Officer, PepsiCo, Inc.

A

Yeah, good morning, Lauren. Yeah. Europe, as you well said, has been impacted more than other parts of the world on the cost and, therefore, we've had to lean into revenue management, probably stronger than other regions in the business. The team has been investing in those capabilities for some time already. And it's been a combination of mix management and pure pricing across most of the geographies, East and West.

We've had a good summer, which tends to drive more impulse sales and those channels have higher price per liter or price per kilo. So, that is reflected in the pricing in Q3. And then also the teams have been courageous in some of the large [ph] packs and in-home (05:59) formats as well across the, what you call, Western Europe.

So, yeah, a combination of visual pricing and some channel management, the truth is that our brands have – the investment we've made in the brands in the last few years are paying off in the sense that our brands are being stretched to higher price points and consumers are following us in Europe and in other parts of the world as you saw with the volume to pricing realization in the US or even other emerging markets.

Operator: Thank you. One moment for our next question. Our next question comes from Dara Mohsenian with Morgan Stanley. Your line is open.

Dara Mohsenian
Analyst, Morgan Stanley & Co. LLC

Q

Hey, good morning guys.

Ramon L. Laguarta
Chairman & Chief Executive Officer, PepsiCo, Inc.

A

Hi, Dara.

Dara Mohsenian
Analyst, Morgan Stanley & Co. LLC

Q

So, I was just hoping to get a bit of perspective on the sustainability of the organic sales growth we're seeing as you look out longer term, obviously, the second straight year of double-digit organic sales growth, so very robust levels, but there is some COVID recovery in beverages. There's excess pricing with limited demand elasticity. So, just looking for some long-term perspective on, if you're incrementally positive to the mid-single-digit long-term trajectory after the last couple of years. And as you look at some of those key drivers of growth, which ones are more sustainable longer term?

And then if I can slip the second part in, just a follow-up to Andrea's question. Have you seen anything in the business in September or October so far in Q4 that's different than generally the underlying momentum you saw in Q3, just given some worries about macros here, etcetera, and some short-term volatility? Thanks.

Hugh F. Johnston
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

A

Yeah. Hey, Dara, it's Hugh. A couple of things. Number one, you know our long-term guidance on revenue is 4% to 6%. And as Ramon and I have talked about in the past, we've always been pushing ourselves to how do we get to the upper end of the range on that on a more consistent basis.

Given the combination of high pricing right now as well as relatively low elasticity, it's difficult to figure out exactly how that might project going forward. And that's sort of a long-term comment for – I'm not going to get into 2023 on today's call. As is our practice, we'll talk about that in February.

But our aspiration remains the same, which is we want to go and push hard on top line. We think it's great for the organization. We think it ultimately creates more value than any other strategy, but no change in terms of the long-term guidance at this point. It's just been – the times are just so interesting, it's hard to figure out what that projects forward into.

Ramon L. Laguarta
Chairman & Chief Executive Officer, PepsiCo, Inc.

A

Yeah. Dara, I mean what I would say on top of what Hugh is saying is that our categories seem to be growing faster than food and food is growing faster than non-food. I don't think that's going to change. We've seen, I think, affordable treats and small moments of pleasure continue to be a key need state, I think, in consumers today and our categories play in that space. So, that – I think we should assume that that will continue in spite of all the ups and downs, potentially economically around the world.

The second element, I think it's fair to assume as well is that we are gaining share in many, many markets across our geographies, both in snacks and beverages. We should assume that given the investments we're making, the quality of brands and people that we have in a lot of the markets, we should assume that in the future, we will continue to gain share, at least that's our aspiration, and we're trying to continue to invest and get better every quarter in that respect.

So, when you compare to the average of food, you should assume it will do better and hopefully it will do better than our categories. Those are the variables that we look at every month as we assess our performance. And as you're saying, our long-term 4% to 6%, I think, remains valid. Clearly, a 16% quarter is an outstanding quarter with a lot of pricing and [ph] we don't think (10:27) that's a sustainable performance for the business. But obviously, we're aspiring to beat our long term as many quarters as possible.

Operator: Thank you. One moment for our next question. Our next question comes from Bonnie Herzog with Goldman Sachs. Your line is open.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

Thank you. Good morning. Your top line growth in the quarter, as we've all been discussing, was very impressive, but it was fully driven by strong price realization. So, I guess my question is on your market share. Could you give us a sense of how your share has been trending in both, maybe your beverage and Frito-Lay businesses?

And then I know a priority of yours is to improve your op margins in PBNA, especially. So, maybe give us a sense of how you're going to balance market share growth with profitability growth going forward. Thanks.

Ramon L. Laguarta
Chairman & Chief Executive Officer, PepsiCo, Inc.

A

Yeah. Bonnie, let me start with the share and then probably Hugh will talk it out with the margin philosophy on PBNA. On share, we're seeing – consistent with the trends that we saw last year and earlier this year, we've seen gains in, I would say, 70%, 75% of our markets in what we call foods, convenient foods, salty snacks. And we're seeing about 70% gains in about – in the beverage markets internationally. So, that's – basically, we're competing well across most of our geographies, emerging markets, developing markets and developed markets across both categories.

In particular, to the US, as you mentioned, Frito-Lay is accelerating its share gains. Q3 was very strong. It was almost a couple of points of share gains in what we measure as savory market, both in value and also there was share gains in volume, so both volume and value.

When we look at the beverage business in the US, we held share in total LRB in the quarter. That's a good performance with very good performance in sports. So, sports has been a priority category for us. The recovery of the Gatorade brand. We have invested a lot for the last couple of years. Our innovation is working. Our brand building is working. Our commercial execution is working and we gained meaningful share in the quarter, which makes us very happy, obviously, given the efforts the team have put in that brand.

We're gaining share in teas. We're gaining share in coffees. So, multiple categories where the business is performing very well. And we are losing share in CSDs. I would say Pepsi is doing quite well. Mountain Dew is a brand that we're working on to continue to gain share. But, overall, we measure our performance as total LRB and total LRB share in the quarter was flat to the category, as you saw double-digit growth, which is a pretty good performance for PBNA.

Hugh F. Johnston
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

A

Right. And I'll build on that, Bonnie. One of our goals clearly is to both gain share and to grow margins. And frankly, that's something that I think we can do. I don't view it as an either/or, I view it as an and. We ought to be able to do both. Obviously, we try to price through inflation and we always set that out as a goal. We were a little bit short of that in the quarter. Gross margins were down by about 20 basis points, as I'm sure you've noted.

But then we also focus on the balance of the cost structure, making sure that we're as efficient as we can possibly be and trying to eliminate waste wherever we can find it. We were successful on that in the third quarter as well. So, operating margins were up about 30 basis points.

So, our plan is to be able to do exactly that, gain share ideally price through inflation. If we're a little bit short of that, we're going to continue to focus on driving the balance of the cost structure, so that if the revenue growth does start to soften up a little bit, we'll still be in a position to deliver superior financial results.

Regarding PBNA specifically and the margin goal that we've set out there of getting to mid-teens, that is still very, very much intact. That is absolutely the plan. So, that's where we stand.

Operator: Thank you. One moment for our next question. Our next question comes from Kevin Grundy with Jefferies. Your line is open.

Kevin Grundy
Analyst, Jefferies LLC

Q

Great. Thanks. Good morning, everyone and congratulations on the strong results. A question for Hugh on commodity inflation from here. And you may be a little bit concerned. I know you don't want to give forward guidance, but we're starting to see key inputs soften here, oil, resin, aluminum, among others, as you're well aware.

Hoping to get your updated thoughts on your inflation outlook. Anything you'd be willing to share with respect to hedge positions, preliminary outlook looking out to next year. And then your ability to continue to offset with pricing and cost and RGM tools. Is it fair to assume that kind of going forward, it will be a little bit more reliant on cost management, revenue growth management as opposed to pricing? Do you feel like you'd be maybe a little bit more constrained given the extent of the pricing that's been taken so far. So, two-part question. Any thoughts there would be helpful. Thank you.

Hugh F. Johnston
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

A

Yeah. Happy to try, Kevin, although I think it might have been four parts, not two, but we'll go with it anyway. Anyway, a couple of things. Number one, commodity for this year high-teens is where we're going to land. That's not a change relative to what we've talked about in the past.

In terms of hedge positions and forward buy, as we've discussed before, we tend to be out about six to nine months and that's – consistent with past practice, that's the way we're operating the commodity cycle. That clearly puts us somewhat into next year, but not anywhere near all the way through next year.

As you've noted, that observed some of the commodity inputs for us, although I'll remind you, our basket is pretty dispersed. There's not a single commodity that even accounts for 10% of the basket. But you've seen some softening in commodity prices. That'll play its way into our commodities going forward.

And then regarding specific numbers for next year, I'm sure I won't surprise you by telling you, we'll talk about that in February for a couple of reasons. The biggest of which is we'll have more line of sight to be able to give you a better number and, frankly, to give you something that you really can model and rely on. At this point, I think it's just a little bit too early for that. And in addition, it just takes us to a place where, frankly, we just wind up doing a lot of partial analysis, [ph] what is (17:32) I don't think is productive for you or for the company.

Regarding pricing, we increased prices at the beginning of the fourth quarter based on what we knew at that point. And going forward, with the investments that we've made in brands, I still think we're capable of taking whatever pricing we need.

Operator: Thank you. One moment for our next question. Our next question comes from Stephen Powers with Deutsche Bank. Your line is open.

Stephen Powers
Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thank you very much, and good morning. Ramon, I wanted to ask on Gatorade and Fast Twitch. First, I'd love some – just more detail around your expectations for that particular innovation in the role you see it playing in the Gatorade portfolio generally. But I guess, more broadly, I'm wondering how you're thinking about the intersection of sports nutrition and the energy drink categories on a broad basis. How far you think Gatorade may be able to expand into what we've traditionally thought of as the energy drink end market? And where that ranks in terms of the priorities for future Gatorade investment?

Ramon L. Laguarta
Chairman & Chief Executive Officer, PepsiCo, Inc.

A

Thank you, Steve. It's a very good question. And one that we're obviously spending a lot of time thinking about how far can we take Gatorade, which is obviously a very strong franchise not only with, I would say, high-performance athletes, but much broader than that.

What we're seeing is a lot of the innovation that we put under the brand in the last year-and-a-half or so, two years is working very well, starting with Zero. Zero has been a great success for Gatorade. It's brought into the franchise a lot of [ph] lapse (19:24) consumers that had left the brand because of the sugar content, especially, I would say, people that just exercise regularly, but not at high-performance level. That's one.

Then the two recent innovations, Gatorlyte and G Fit, also are working well for the brand, bringing incremental consumers or incremental occasions to the category. So, we're happy with the, obviously, core Gatorade, but the three other new innovations.

With regards to Fast Twitch, what we're seeing is that more and more athletes are drinking caffeine and then also hydration during the game or before the game or at the end of the game, so different parts of their exercise. So, we think there is a role for Gatorade to play in that space, providing some additional stimulant to the performance, but also providing the hydration in one single consumption.

We've been told by the trainers and by other people that work with the athletes to go and help them. So, this drink has been developed with the athletes, developed with the trainers with that occasion in mind. And we think that Gatorade plays very well. It has a lot of, I think, credibility to play in that space of hydration and caffeine for better performance. So, we're launching it, as you know, with the NFL and we'll go full blast as of early next year.

Operator: Thank you. One moment for our next question. Our next question comes from Robert Ottenstein with Evercore ISI. Your line is open.

Robert Ottenstein
Analyst, Evercore ISI

Q

Great. First question, just a follow-up on the pricing on Frito-Lay North America. If you could kind of give us a breakout between headline pricing, product mix and channel. And then my real question is, is you're introducing a lot of additional complexity into the portfolio with different flavors and package sizes. Can you just talk a little bit about how you're looking at that from a supply chain side? Thank you.

Ramon L. Laguarta
Chairman & Chief Executive Officer, PepsiCo, Inc.

A

Yeah, listen, as with any one of our businesses, we're looking at multiple ways to increase our revenue per kilo in this case with continuing to maintain the consumer in our brands and obviously gain share as we do that. So, that's the strategy. We'll use multiple levers. So, visual pricing, lower promotions, pushing for the formats where we have higher revenue per liter or per kilo, moving into channels, obviously, where we can price more because the consumer has different price expectations.

All those tools are well integrated into our full commercial program. And that's the way Frito is doing it, but the same is being done in Beverages North America or any of our international markets emerging or developing or developed. So, that's a consistent capability we've been investing. We're becoming much more digital. We're becoming much more insightful and precise as a company.

And that applies – linking to your second question, that applies also to our supply chain. I think we're becoming much more integrated in our forecast into – demand forecast into supply and we're able to execute a certain level of higher complexity in our business. We're automating, we're becoming better at execution in that respect.

I would say we're not running a perfect company at this point, given all the challenges there is still in supply chain of ingredients and some of the transportation bottlenecks, but I would say we're able to cope with higher levels of complexity throughout the Frito-Lay given your question or any of the other organizations that we have around the world.

However, I will say that we have very strict processes of portfolio optimization that are being run quarterly in each one of our businesses. So, each one of the business goes through a pretty strict process of rationalization and elimination of unnecessary complexity regularly.

So, on the one side, we want to have more complexity because we know that consumers appreciate personalization and a lot of the [ph] vary is (24:12) the key, I think, advantage for us in our categories. But at the same time, we go through rigid processes that eliminate unnecessary complexity and keep our cost down given supply chain, but in any respect, given what it is to run a good business.

Operator: Thank you. One moment for our next question. Our next question comes from Kaumil Gajrawala with Credit Suisse. Your line is open.

Kaumil Gajrawala
Analyst, Credit Suisse Securities (USA) LLC

Q

Hi, guys. Good morning. Can we talk just a bit more about cash flow and – with the year coming in better than expected, is there excess cash on the balance sheet, or any thoughts around that? And then maybe in the same context, just maybe an update on what the M&A environment looks like at the moment, given we're going through a kind of a difficult period. I wonder if assets are more perhaps more interesting than they would have been before.

Hugh F. Johnston
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.
A

Yeah, I'm happy to jump in on that one, Kaumil. In terms of cash flow, you're right. We are performing well this year on cash flow and, obviously, feel terrific about that. I wouldn't necessarily characterize it as excess cash. But certainly, we're coming from a relatively strong cash position.

In addition to that, and you know our philosophy on how we manage the balance sheet. Well, we actually are very much fixed in terms of our debt rates and our average maturity now, I think, is about 12 years at this point. So, the refinancing elements of what we need to do are relatively small.

Our towers going forward are about $2.5 billion to $3 billion a year going forward. So, we've got a lot of flexibility in terms of managing rising interest rates. In terms of where that might take us in the future, again, we'll talk about that in 2023.

Regarding M&A, no real change in our capital allocation policies broadly. M&A has obviously played something of a role in our past. We're still largely focused on tuck-ins where, frankly, we can realize a lot of value. But beyond that, it's really difficult to speculate on what might or might not happen. Certainly not [ph] setting in (26:35) any indications at all, but we've got anything on the horizon whatsoever. But we'll always be looking at things. We don't really pass in terms of taking a look at anything. But as you know, we rarely transact. So, I don't expect any change at all in that regard.

Operator: Thank you. One moment for our next question. Our next question comes from Chris Carey with Wells Fargo. Your line is open.

Chris Carey
Analyst, Wells Fargo Securities LLC
Q

Hi. Good morning.

Hugh F. Johnston
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.
A

Good morning.

Chris Carey
Analyst, Wells Fargo Securities LLC
Q

So, can you just comment on the stickiness of pricing across – in CPG, there's been a growing debate about whether some of these price increases would need to be dealt back with either list price reversal of accelerated promotion. I suppose [ph] a lot to go is (27:26) that it's such an atypical commodity environment. And if the environment changes atypically the other way during a recession or perhaps if demand slows that price rollbacks are not entirely out of the question, even if they're not historically a consistent practice. What are your thoughts on how the business might confront pricing versus promotion, especially in an environment of commodity deflation, especially if demand starts to slow?

Ramon L. Laguarta
Chairman & Chief Executive Officer, PepsiCo, Inc.
A

Yeah, listen, I think this is a difficult question to answer.

[indiscernible] (28:08)

Ramon L. Laguarta
Chairman & Chief Executive Officer, PepsiCo, Inc.

A

The environment clearly is still very inflationary with a lot of supply chain challenges across the industry and everybody trying to have responsible behaviors to maximize the value of its brands. So, our philosophy is the same. We continue to invest in advertising and marketing, make sure that we have very strong innovation, very strong commercial plans. That's where we put the focus of our organization.

We're trying to be growth drivers to our customers. I mean, if you look at the majority of our conversation with our customers, center around growth and how do we develop our categories, continue to bring consumers into the category, continue to bring new occasions into the category, and that's the role I think we play to our customers and to the – how we create value for the company long term.

So, we'll continue with that focus, trying to create brands that can stand for higher value to consumers and consumers are willing to pay more for our brands. So, we'll continue with that philosophy. And we'll see where the cost environment goes in the coming years. Obviously, we're – if anything that these last two years have taught us is that we want to become more agile and more nimble and more flexible, and that's what we're doing across the company.

Operator: Thank you. One moment for our next question. Our last question comes from Peter Grom with UBS. Your line is open.

Peter Grom
Analyst, UBS Securities LLC

Q

Hey, good morning everyone. Hope you're doing well. So, I wanted to ask about the Celsius distribution agreement. Maybe just to start, why was the structure of this partnership the right one for PepsiCo? And then I guess maybe any initial views on kind of how the transition to your distribution network is going. And maybe just last, if I can squeeze it in here. Just bigger picture, I guess, like what have you learned from either your own brands? What happened with Bang that really gives you greater confidence in the success of this partnership looking ahead? Thanks.

Hugh F. Johnston
Vice Chairman & Chief Financial Officer, PepsiCo, Inc.

A

Sure. Happy to talk about that, Peter. First, the transition is going very well. We're, at this point, over 80% integrated Celsius into the PepsiCo system, and we think it's off to a terrific start, and I think you'd probably hear the same thing from the folks down at Celsius. We're excited about the business. We think it's got a nicely differentiated proposition, and we're proud and happy to have it on our trucks and think it's going to be a great business for us.

In terms of the structure, frankly, we looked at it and said, look, we'd like to do a distribution agreement, but we knew we were going to create some additional value for the company and we felt like we should participate in that value. And we set up a structure that enabled us to do that. It doesn't take us any further than what you see right now, and it puts us in a position where it's a preferred. So, we'll either get paid based on the preferred or down the road as the relatively small position we have could convert at some point.

So, we felt like it was a good value-creating structure for PepsiCo. I wouldn't read anything more into it than that. And then more broadly, on the energy portfolio, our approach has been one of having a portfolio of brands. We like that approach, because we think as the energy category starts to segment into different types of consumers and different types of need states, having a portfolio approach will ultimately position us best to take advantage of that.

Obviously, we're in a building position here, whether it's Rockstar or Mountain Dew Energy, or what we're doing with Celsius or for that matter, even the Starbucks coffee energy business. But we now think we have three or four different ways to compete, to capture that consumer's business. So, we like where we sit in [ph] that regard (32:13).

Ramon L. Laguarta

Chairman & Chief Executive Officer, PepsiCo, Inc.

A

Yeah. Peter, I would endorse what Hugh was saying. I think from the portfolio point of view, Celsius probably brings a – is a better complement to the rest of brands or vectors of growth that we had in this category earlier. We feel good. I think it appeals to consumers that are different than what Rockstar would appeal to, or what some of the Starbucks or, obviously, some of the Gatorade consumers would appeal to.

So, I think we're in a better place to play in the broader category, to continue to bring consumers to our franchise. And as Hugh said, the partnership is strong. We've learned also on the – how to build stronger and more strategically aligned partnerships. And hopefully, this one, I'm sure it is going to be a much more durable and much more value creating for both companies.

So, still too early, obviously. We only started October 1, and it's 80% of the territories. But early signs are very positive, and the alignment and the commercial collaboration between the two companies is very strong.

Ramon L. Laguarta

Chairman & Chief Executive Officer, PepsiCo, Inc.

Okay. So, I think the Q&A is over. So, I'd like to thank everyone for joining us today and for, obviously, the confidence that you've placed in us with your investments. We hope that you guys all stay safe and healthy. Thank you very much.

Operator: Ladies and gentlemen, this does conclude today's presentation. You may now disconnect, and have a wonderful day.