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# Acreage Holdings, Inc. (ACRG.USDC.A)

Q4 2019 Earnings Call

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*Chief Financial Officer, Acreage Holdings, Inc.*

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### Brett Michael Hundley

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### Matt Bottomley

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### Graeme Kreindler

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### Glenn G. Mattson

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### Russell Stanley

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning and welcome to the Acreage Holdings' Fourth Quarter 2019 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. Please note today's event is being recorded. I would now like to turn the conference over to Steve West, Vice President of Investor Relations. Please go ahead, sir.

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### Steve West

*Vice President-Investor Relations, Acreage Holdings, Inc.*

Good morning, everyone, and welcome to the Acreage Holdings fourth quarter and full year 2009 (sic) [2019] (00:00:42) conference call. Joining me today are Kevin Murphy, our Chairman and Chief Executive Officer, and Glen Leibowitz, our Chief Financial Officer. This call is being recorded and will be archived on our Investor Relations website at [investors.acreageholdings.com](http://investors.acreageholdings.com).

Today's call contains forward-looking statements which are subject to various risks, uncertainties and other factors that could cause our actual results to differ materially from those forward-looking statements. Any such statements should be taken in conjunction with cautionary statements in our press release and risk factor discussions in our public filings that can be found on SEDAR and EDGAR as well as our investor website. Any forward-looking statements speak only as of today and we assume no obligation to update them. Now for your future scheduling purposes, our first quarter 2020 earnings release is tentatively scheduled to be issued after the market close on May 12, and our earnings call is tentatively scheduled for the morning of May 13, 2020.

I will now turn the call over to Kevin.

## Kevin P. Murphy

*Chairman, Chief Executive Officer & Founder, Acreage Holdings, Inc.*

Thank you, Steve, and good morning, everyone. 2019 for the cannabis industry can best be described as a rollercoaster, full of ups and downs and unexpected twists and turns which we discussed in depth last quarter. Our internal operations were challenged by significant regulatory hurdles at the local and state level. HSR reviews by the Justice Department caused further delays for all major transactions in the cannabis industry this past year. Despite the challenges we faced in 2019, I'm proud of the dedication and professionalism of all of our Acreage employees in helping us deliver on the shareholder promises that were in our control.

We ended 2019 with 30 operational dispensaries and an additional 8 which were 100% construction complete, but not yet operational due primarily to awaiting regulatory approvals. These 38 operational or construction complete dispensaries were within our full year dispensary guidance of 35 to 45. Sales at dispensaries opened for more than a year showed tremendous growth. In fact, our 2019 pro forma same-store sales comparisons were up more than 40% driven predominantly by positive transaction growth. I'm pleased to report the core health of our retail business is very strong.

During the year, we began launching our house of brands across our national footprint, and the reception by industry professionals and consumers far exceeded our expectations. The Botanist and Natural Wonder received high praise from Cannabis Now, a leading cannabis industry publication for their showing at the Hall of Flowers event last fall. Additionally, The Botanist and Live Resin Project won awards in their respective categories at the prestigious Emerald Cup brand competition.

In addition to our internally developed brands, we launched Canopy Growth award-winning Tweed brand. We're currently retailing and wholesaling Tweed branded flower in Illinois, Maine, Massachusetts and Oregon. While there is still much work to do to achieve national brand status, I could not be more pleased with these accomplishments.

During 2019, we made significant progress in building our wholesale business. As discussed on our last earnings call, our Prime branded medical products achieved 100% retail distribution in Pennsylvania. In Nevada, Deep Roots has nearly 80% retail distribution, and in Illinois, we're wholesaling into nearly 50% of retail dispensaries.

We ended 2019 with a pro forma wholesale revenue mix of 16% which was a significant increase from our 2018 ending sales mix of 6%. Capital access in 2019 and thus far in 2020 is arguably the number one issue facing the cannabis industry. During the fourth quarter, we closed on an initial sale leaseback transaction of \$19 million with potential for future transactions.

More recently, we announced a series of comprehensive financing transactions giving us access to up to \$150 million in capital. We're continuing discussions to raise additional capital to meet our long-term requirements and position us for more long-term growth. Before turning to our 2020 outlook, I want to note that the year is already off to a fast start. In Illinois, we began selling adult-use cannabis through our wholesale channels and our pre-existing medical dispensary in Rolling Meadows. Additionally, we're slated for zoning board review of our Chicago dispensary in March. And if all goes well, we're targeting the opening of our second adult-use dispensary in the second half of the year.

And finally, as announced yesterday, our partners in New Jersey opened their second medical dispensary, a Botanist, on the iconic boardwalk of Atlantic City. Looking ahead at the rest of 2020, I will lay out the overall strategy and Glen will provide some specific color in his remarks. The overall strategy for 2020 will be driven by two key revenue initiatives in wholesale and retail leading to significant top line growth. Our [indiscernible]

(00:07:02) will be complemented by a cost cutting initiative focused on G&A savings and margin improvements which we have already begun implementing.

And finally, our 2020 CapEx spend is designed to deliver improved returns on invested capital in relatively short order while positioning us for long-term success. We believe these four key initiatives will set us on a clear pathway to achieve positive adjusted pro forma EBITDA in 2020. With the intense focus on access to capital and even more importantly capital allocation, we are shifting resources more toward brand building and wholesale operations while still expanding our retail footprint.

Wholesale and branding front, we will focus on two primary growth drivers. First, we will significantly increase our production and processing capacity and capabilities in key states. We'll continue building new cultivation and processing facilities in states such as Florida and Ohio and also expand existing facilities in states where adult-use is already legal or expected to be legal in the near future such as Illinois, New Jersey, New York and Pennsylvania. These investments in our production and processing capabilities will account for the majority of our 2020 CapEx spend.

Second, we'll continue the national rollout of our award winning branded products such as The Botanist and Live Resin Project to more states and expand into more form factors where allowable by law. Specific to Tweed, we will continue that expansion both in terms of increased states and form factors. In the first half of the year, we expect to increase the number of strains of flower we offer in our retail dispensaries. As more capacity and supply are developed, we will also increase the number of form factors to include pre-rolls and vape cartridges. And in the second half of the year, we plan to expand our Tweed branded offerings into additional states, broaden its existing coast-to-coast presence. We believe focusing on these two areas will lead to outsized wholesale growth and support our national brand building efforts throughout the US.

Our second revenue growth strategy is in retail. We will continue to build out our existing dispensary footprint for deeper penetration in states where we have existing operations and, of course, a significant build-out in Florida. For Florida specifically, we will sequence our dispensary openings to coincide with product availability throughout the year. At any given time, we will likely have several stores 100% construction complete but not opened pending supply availability to meet expected consumer demand. Until our Sanderson facility is fully operational, we will use cultivation pods to develop our dispensaries and supply them while exploring other options as well.

We believe a measured opening of dispensaries to correspond to supply availability is prudent from a long-term customer loyalty perspective and preserves cash and resources in the short term. In addition, to these top line growth initiatives, we took a critical look at our cost structure to optimize our spending and accelerate our pathway to profitability. These cost optimization efforts are focused on G&A including staff optimization and other redundant administrative expenses. We believe our top line growth initiatives combined with our expense optimization and disciplined capital allocation efforts should allow us to report positive adjusted EBITDA in the back half of this year.

Achieving positive adjusted EBITDA in 2020 is the primary goal for the entire company and is aligned with both our board of directors and our executive team. In fact, the KPIs for our executive and employee compensation are 100% aligned with executing and delivering on these goals. While 2019 was a year of many challenges in the cannabis industry, 2020 is setting up to be a banner year for Acreage. And I could not be more optimistic about our long-term future.

That concludes my prepared remarks, and I will now turn the call over to Glen for his financial discussion.

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## Glen Leibowitz

*Chief Financial Officer, Acreage Holdings, Inc.*

Thank you, Kevin, and good morning, everyone. Last night, we reported our fourth quarter and full year 2019 results. First, as we discussed in our third quarter call, we are now reporting our financials in accordance with US generally accepted accounting principles, which lead to some changes in historic reported items. While we presented the summary of significant US GAAP impacts in our detailed earnings slides published last night, I wanted to note that on the US GAAP, a portion of our lease expense is now considered an operating expense. While under IFRS, it was reported in depreciation and amortization. This means our EBITDA is notably lower under US GAAP accounting rules versus what we reported under IFRS.

For the full year 2019 US GAAP results we just reported, there was approximately \$6.5 million included in our G&A as rent expense. We will not adjust our reported EBITDA for the lease accounting change, but to help analysts and investors conduct peer-to-peer analysis, we will call out the lease expense impacting each quarter as a footnote in our financials. Additionally, to help support our financial analysis, we disclosed all four quarters of our 2019 US GAAP profit/loss statement in our detailed financial slides. And one last administrative note, given the recent financing transactions we announced and pending work yet to be done, we're targeting a filing date of our SEC Form 10-K on or about March 18.

Now onto our financials. Our reported fourth quarter revenue was \$21.1 million, an increase of 101% versus the comparable period in 2018. And full year reported revenue was \$74.1 million, up 251% versus the full year 2018. These increases were primarily driven by retail dispensary and wholesale business growth, including significant growth in our New England and Mid-Atlantic operations from a geographical perspective.

I'd like to note that our fourth quarter reported revenue deceleration slightly versus our third quarter reported revenue. And as indicated in our third quarter earnings call, we took advantage of an opportunistic wholesale transaction in Massachusetts during the third quarter which did not repeat in the fourth quarter. Additionally, given the continued regulatory hurdles, we were not able to open as many dispensaries as we had planned which delayed the timing of anticipated revenue that we had expected. We view this as a timing issue versus anything systematic. And as Kevin noted, pro forma same-store sales comparisons for the full year 2019 were more than 40% and the fourth quarter was in line with our full year growth rate.

The fourth quarter gross profit was \$7.8 million, which declined versus the third quarter gross profit of \$9.7 million. Gross margin for the fourth quarter was 37.1% which was down versus the third quarter gross margin, 43.3%. These sequential declines in gross profit and margin were driven primarily from non-recurring opportunistic wholesale transactions in Massachusetts as well as pressure from form factoring which is still ramping.

Moving to our adjusted and pro forma results. For the fourth quarter, managed revenue was \$32.2 million and our pro forma revenue was \$43.6 million, up [ph] 100% and 90% (00:16:34) respectively versus the comparable prior year period. For the full year 2019, our managed revenue was \$110 million, and our pro forma revenue was \$155 million, up 231% and 101% respectively. These increases were primarily a result of acquisitions and organic growth. Our fourth quarter adjusted EBITDA was a loss of \$18.3 million and our pro forma adjusted EBITDA was a loss of \$15.8 million. For the full year 2019, our adjusted EBITDA loss was \$55.2 million and our pro forma adjusted EBITDA was a loss of \$44.4 million. While our losses accelerated on a sequential basis during the quarter, we expect these results to improve going forward.

Moving on to the balance sheet. We ended the year with \$27 million in cash and cash equivalents. And during the year in 2019, we deployed approximately \$204 million in capital for M&A including \$110 million of equity issued and \$94 million in cash. Additionally in 2019, we invested nearly \$47 million in CapEx to build out a footprint, and

advance an additional \$37 million to our partners, with which we have managed services and consulting or other agreements with.

As Kevin discussed, we recently announced a series of comprehensive financing transactions to address our short and medium-term requirements while we lay the foundation to raise additional capital to ensure our long-term success. Before moving to our 2020 targets, I'd like to set the bar where we landed at the end of 2019. We ended the year with 30 operational dispensaries and an additional 8 that were fully constructed but not operational. Of the eight fully constructed dispensaries, seven were awaiting final regulatory approvals, while the eighth located in Spring Hill, Florida we have purposefully delayed opening until we have enough supply.

Now, moving onto our 2020 operational and financial targets. In retail, we plan to build out 10 to 15 new dispensaries ending the year with 48 to 53 operational or fully constructed dispensaries. Most of our new dispensary build-outs will be in the Florida and will be back half weighted. In our wholesale segment, we continue to increase focus which will lead to continued outsized growth versus our retail segment, and we anticipate our wholesale revenue mix will be about 20% for the year up from 16% in 2019. With respect to operational expenses as we announced last night in our press release, we initiated a cost cutting program focused on G&A including staff optimization and significant cuts to travel and other expenses. We anticipate these savings initiatives will deliver approximately \$7 million in annualized savings or approximately 12% of our reported G&A in 2019.

We expect total CapEx of \$45 million to \$50 million. The majority of which will be used to build new and expand existing cultivation and processing facilities in key states. To that end, we expect to utilize sale leaseback transactions for some of these cultivation facilities to provide additional cash and reduce our need to raise additional capital for these build-outs. And finally, as Kevin discussed, we expect the combination of these financial and operational targets to accelerate our pathway to positive pro forma adjusted EBITDA in the second half of 2020.

That concludes my prepared remarks. I will now turn the call over to Kevin for his concluding comments.

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## Kevin P. Murphy

*Chairman, Chief Executive Officer & Founder, Acreage Holdings, Inc.*

Thank you, Glen. Before opening the call for questions, I want to briefly comment on our legislative outlook. Our Capitol Hill remains locked in partisan quagmire, the states continue to legalize both medical and adult-use cannabis programs. In addition to the New England and Mid-Atlantic regions openly discussing adult-use legislation, several new states are in the process of legalizing medical cannabis programs. In fact, we expect as many as 40 states could have legalized cannabis programs before the end of this year. These additional states – it is quite possible that 80% of all states in the US plus the District of Columbia will have legalized cannabis programs.

Congress must wake up to this avalanche of support and get in step with their constituents, as the overwhelming majority of this country approves the legalization of cannabis. As momentum continues to build, I am more optimistic with every passing day that Congress will take action. Finally, I'd like to thank our Acreage associates across the nation for their hard work and dedication in helping us deliver cannabis to those who need it.

With that, I will have the operator open the line for questions.



## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now begin the question-and-answer session. [Operator Instructions] And today's first question comes from Aaron Grey at Alliance Global Partners. Please go ahead.

**Aaron Grey**

*Analyst, Alliance Global Partners*

Q

Hi. Good morning and thanks for the question. I guess just the one that I'll have is on the top line for the quarter. When we look at GAAP revenues, I know you pointed towards it being Massachusetts in the wholesale opportunities there. I guess, was it more a function of the product being able – you having the product to sell or was there not the demand, so I guess in terms of like the sequential growth there in terms of the decline and then [ph] how best think about (00:23:32) Massachusetts in the wholesale market going forward given there seems to be the reason you didn't have as much sequential growth? Thank you.

**Glen Leibowitz**

*Chief Financial Officer, Acreage Holdings, Inc.*

A

Sure. Aaron, this is Glen. Thanks for the question. It's more of a timing situation. So if you focus on the details here, as I mentioned, Massachusetts was a wholesale situation. So those are going to be as the market demand is there and we know it's a robust market. It was just a timing situation that it didn't occur. We're very optimistic about what's going on in Q1 already of 2020. Additionally, there is other wholesale situations. Again, these are all timing because as the cycle relates to the harvest, taking certain time periods and getting those done and getting those out to end-customers, is really just a timing of sequence of events. So I don't see that softening. Just managing the overall process and getting those to market on a timely basis and where the calendar ended is really the situation.

**Operator:** Our next question today comes from Brett Hundley at Seaport Global. Please go ahead.

**Brett Michael Hundley**

*Analyst, Seaport Global Securities LLC*

Q

Hey, thank you. And good morning, guys. Gosh, I have a bunch of questions. I think maybe one that I would like to ask because I do think that you guys flushed out the margin story pretty well during the quarter. I want to ask a question about your stock relative to Canopy. Ever since that transaction was announced, your spread relative to Canopy has continued to deteriorate. Now you're at about 23%, 24% of CGC. And given that there have been some management changes over there, since your transaction was announced and given that Congress has had such a hard time moving on relatively simple bills like the SAFE Banking Act for example, can you just revisit with us on the commitment to that transaction and where you see things heading going forward with Canopy? And if I can tack on there, of course, if you can give us a comment on [indiscernible] (00:26:04), I'd really appreciate that as well. Thanks, guys.

**Kevin P. Murphy**

*Chairman, Chief Executive Officer & Founder, Acreage Holdings, Inc.*

A

Sure. It's Kevin Murphy and I – a complex question and I'll answer as best I can. I would say that from the relationship with Canopy, it was a complex transaction. It was very, very new, hadn't been done before, and it has consistently been misunderstood. We are as disappointed clearly with the spread as everyone else. But I can tell you with certainty, the new management at Canopy is 100% dedicated to frankly making our company as

important in the US as any other company. So they are dedicated to complete the transaction, and we have a very, very close relationship now with the new management. That said, after doing the transaction mid-last year, there was some delay and some disruption with the change of management, which we believe delayed us to some degree in rolling out the synergies that we hope to garner from Canopy going forward in 2020 and beyond. So we are lockstep with them, working very closely with them and the new management, and candidly, that relationship couldn't be better.

Now, that said, we believe as prove more strategies and more completeness of that relationship going forward, that should prove to the rest of the investment community that this has – this transaction made a lot of sense. Now as it relates to Washington and it relates to, frankly, the quagmire that I had spoken to as it related to SAFE Banking, Senator Crapo is very much opposed to cannabis reform. I think it's that plus the impeachment hearings have delayed things in Washington. No question about it. But with nearly 80% of all states at the end of this year, having some sort of a program whether it's medical or recreational, that coupled with the fact that Senator Crapo's term as the Chair of the Financing Committee that expires at the end of this year.

And Senator Toomey from Pennsylvania is a more compassionate supporter of cannabis legalization. So, we believe going forward, there may be some movement on SAFE Banking in 2020, given the fact that it's going to be a real discussion point with the presidential election. We remain optimistic. Timing is always tricky candidly given that other things in Washington pop up which frankly have – get more attention. But I believe SAFE Banking should be on a very clear path at a minimum post Senator Crapo.

**Operator:** Our next question today comes from Matt Bottomley at Canaccord Genuity. Please go ahead.

#### Matt Bottomley

*Analyst, Canaccord Genuity Corp.*



Yeah. Good morning. Thanks for taking the question. Just wanted to get a little more color now that you've just secured additional financing. If you can kind of put your balance sheet maybe more on a pro forma basis and line it up to your 2020 objectives that you have, so obviously, there's the CapEx budget you outlined, there's the interim operating losses, until you reach the cash flow positivity by the end of the year hopefully. Just curious if you believe that what's secured now is sufficient to meet all those objectives and then what other types of opportunistic financings might you be open to down the road.

#### Glen Leibowitz

*Chief Financial Officer, Acreage Holdings, Inc.*



Sure. Thanks for the question, Matt. This is Glen. Yeah, as I mentioned in my prepared comments, CapEx target for 2020 is approximately \$50 million. We'll obviously utilize a REIT to the extent we can. And then just high level, we'll need the cash for operations of approximately \$65 million – \$60 million to \$65 million for 2020. So if you take the \$50 million and the \$65 million, we're looking about \$100 million, \$110 million, \$115 million of capital that's needed. So the capital profile is, as I mentioned, short-term opportunity that we took advantage of but where we need to secure additional long-term financing and we're actively in those discussions and we're optimistic about closing on additional capital in the very short term.

**Operator:** Our next question comes from Graeme Kreindler of Eight Capital. Please go ahead.

#### Graeme Kreindler

*Analyst, Eight Capital*





Hi, good morning, and thanks for taking my question. I just wanted to follow up and get a better understanding of the operations in Florida and particularly on the supply side. I believe last conference call, you mentioned that you broke ground on a planned 100,000 square foot facility and given the comments in the prepared remarks about purposely holding back some of the retail openings there. So just wondering if you could give us an update on how the ongoing construction of this facility is going and when you're targeting a first harvest. Thank you.

**Glen Leibowitz**

*Chief Financial Officer, Acreage Holdings, Inc.*

A

Sure. And Graeme, thanks for the question. It's Glen. I'll start and Kevin can give an overview after I speak. So we did break ground on the facility. We are in possession of the demolition permit, so we're going to start work very quickly on the facility itself. But in the meantime, we've had pods at the location which have been germinating the products, so we expect to have significant product to supply the one store that I mentioned. So the reason we hadn't opened it is we wanted to make sure we've got constant supply for our consumer base and creating that customer loyalty as we know peers of ours have been running out of product and we don't want to be in a similar situation.

So the construction timeline will probably be later to complete the overall facility probably the end of 2020. But in the meantime, we'll have that one store plus I think we could probably supply two more stores. We'd have a total of three stores at a minimum open to meet our public demand, and then later in the back half of the year have the bigger facility operational to handle additional stores that we plan to build during 2020 with expectation to open in 2021.

**Operator:** Our next question today comes from Glenn Mattson at Ladenburg Thalmann. Please go ahead.

**Glenn G. Mattson**

*Analyst, Ladenburg Thalmann & Co., Inc.*

Q

Hi. Thanks for taking the question. One quick clarify I want to see, did you say that same-store sales in the quarter were in line with the year, so up 40%? So that would be one thing. Second of all, I wondered – I was curious if obviously besides the wholesale decline sequentially in Massachusetts, would you point out any markets that performed particularly better or particularly worse than the corporate average? And then last just quickly if you could, Glen, can you give us an idea of when the cost cuts kick in and how they flow through over the course of the year? Thanks.

**Glen Leibowitz**

*Chief Financial Officer, Acreage Holdings, Inc.*

A

Sure. I'll just [indiscernible] (00:33:51) this is Glen. Thanks, Glenn, for the question. So just to reaffirm on the sequential changes there, so a little more color, I mentioned that form factor is still ramping, so that would impact the wholesale. Our Pennsylvania operation, again, this was timing. So that had a slight impact to that overall, as well as, as you noted, the Massachusetts which was about a \$2.2 million wholesale sale in Q3. Bright spots [indiscernible] (00:34:24) New York operations had some margin improvement which offset some of that decline. So that's the color there. I'm just checking some notes here. Same-store sales were consistent, growth of about 40%. What you're seeing is mostly in the medical markets, we're seeing about a 50% growth same-store sales as compared to about a 20% change on the adult-use stores. So that blended was about the 40% that we mentioned. And – sorry, the last part of that question I missed.

**Glenn G. Mattson**

*Analyst, Ladenburg Thalmann & Co., Inc.*

Q

[audio gap] (00:35:10) kick in and how they flow through over the course of the year?

**Glen Leibowitz**

*Chief Financial Officer, Acreage Holdings, Inc.*

A

[indiscernible] (00:35:17) Thank you. So initially, the annual savings as we mentioned is approximately \$7 million. There will be a one-time charge of about \$900,000 associated with the separations in the staff optimizations, but then we expect that to be a pro rata basis over the next several quarters for the rest of the year. So for a full year of 2021, we look to realize those – the \$7 million of savings. So in the current year, it's going to be about \$4.5 million, \$5 million savings in 2020.

**Operator:** And the next question today comes from Russell Stanley at Beacon Securities Please go ahead.

**Russell Stanley**

*Analyst, Beacon Securities Ltd.*

Q

Good morning. Just on New Jersey, congrats on [ph] getting away actually (00:36:04) third dispensary there and as a follow-up, the latest view on the timeline for converting that to a for-profit operation and consolidating those numbers.

**Glen Leibowitz**

*Chief Financial Officer, Acreage Holdings, Inc.*

A

Thanks, Russell. It's Glen again. So on the third location, we have it identified in New Jersey. I think we have a permit as well as the lease. So we just need to get hammers swinging at that location. So I'd say that's probably normally a three to four month build-out process to get that online. We haven't publicly announced that location. But once that's available to us, we will make that announcement. And then just the overall timeline, we'd expect to have – 30 days to 45 days expected on the conversion of that not-for-profit to be in our consolidated numbers. But we'll obviously make that announcement once we have regulatory approval and more certainty around it.

**Operator:** Our next question comes from Rommel Dionisio of Compass Point. Please go ahead.

**Rommel Dionisio**

*Analyst, Compass Point Research & Trading LLC*

Q

Good morning. Thanks for taking my question. On the – Glen, in your comment about same-store sales being up about 50% in medical markets. Just a little bit more color on that. Would you say some of that is – obviously more medical patients in those particular states signing up. Are you taking market shares or product mix shift? Maybe just a little color there. And also just lastly, can you guys see any meaningful vape-related impact in Q4 on overall revenues? Thanks.

**Glen Leibowitz**

*Chief Financial Officer, Acreage Holdings, Inc.*

A

Thanks, Rommel, for the question. So just on the medical, a little bit more color there. So same-store sales are up about 50%. The transaction growth is the main driver there. So average ticket is about flat per customer, but it's really the volume and the number of transactions are up significantly on the same-store sale basis. So that's the driver – the drivers there.

**Operator:** Thank you. Ladies and gentlemen, this concludes today's question-and-answer session and today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines and have a wonderful day.

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