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Aspen Aerogels, Inc.

Q1 2017 Earnings Call

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CORPORATE PARTICIPANTS

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Donald R. Young, *President, Chief Executive Officer*

CONFERENCE CALL PARTICIPANTS

Eric Stine, *Craig-Hallum Capital Group, LLC*

Charles Moore, *Canaccord Genuity Group, Inc.*

PRESENTATION

Operator:

Good afternoon. My name is Megan and I will be your conference Operator today. At this time I would like to welcome everyone to the Aspen Aerogel's Q1 2017 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, please press the pound key. Thank you.

John Fairbanks, you may begin your conference.

John F. Fairbanks:

Good afternoon. Thank you for joining us for the Aspen Aerogel's conference call. I'm John Fairbanks, Aspen's Chief Financial Officer. There are a couple of housekeeping items that I would like to address before turning the call over to Don Young, Aspen's President and CEO. The press release announcing Aspen's financial results and business developments, as well as a reconciliation of Management's use of non-GAAP financial measures as compared to the most applicable GAAP measure, is available on the Investors section of Aspen's website, www.aerogel.com. Included in the press release is a summary statement of operations, a summary balance sheet, and a summary of key financial and operating statistics for the quarter ended March 31, 2017. In addition, the Investors section of Aspen's website will contain an archived version of this webcast for approximately one year.

Please note that our discussion today will include forward-looking statements, including any statement regarding outlook, expectations, beliefs, projections, estimates, targets, prospects, business plans, and any other statement that is not a historical fact, and such statements are subject to risks and uncertainties. Aspen Aerogels' actual results may differ materially from those expressed in these forward-looking statements. A list of factors that could affect the Company's actual results can be found in Aspen's press release issued today. They're discussed in more detail in the reports Aspen files with the SEC, particularly in the Company's most recent Annual Report on Form 10-K. The Company's press release issued today and filings with the SEC can also be found in the Investors section of Aspen's website. Forward-looking statements made today represents the Company's views as of today, May 4, 2017. Aspen Aerogels disclaims any obligation to update these forward-looking statements to reflect future events or circumstances.

During this call, we will refer to non-GAAP financial measures, including Adjusted EBITDA. These financial measures are not prepared in accordance with U.S. Generally Accepted Accounting Principles, or GAAP. These non-GAAP financial measures are not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP. The definitions of and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures, discussion of why we present these non-GAAP financial measures is also available on today's press release.

I'll now turn the call over to Don Young, President and CEO of Aspen Aerogels.

Donald R. Young:

Good afternoon. Thank you for joining us for our Q1 2017 Earnings Call. I will provide comments about the business and our performance, and John will present financial details for the first quarter and comment on our guidance for 2017. We will conclude the call with a Q&A session.

I plan to cover three topics in my prepared remarks. First, I'll provide a recap of Q1; second, I'll discuss the current commercial environment and our market outlook for the remainder of 2017; and third, I'll describe our key success factors for the year.

The first quarter of 2017 played out largely as we expected. Revenue, when compared to Q1 2016, was down in all regions, except for the United States which was positively impacted by the successful delivery of Cryogel Z (phon) to the Cove Point LNG project.

On a Customer and Market segment basis, the conclusion of the South Asia petrochemical project, and continued low activity levels in the subsea market accounted for over 70% of our nearly $10 million revenue decrease versus last year's first quarter. To provide context, it is important to remember that the South Asia petrochemical project and subsea together, accounted for approximately 30% of our revenue in both 2015 and 2016. However, in 2017 we anticipate that they will account for less than 10% of our revenue. Later in my comments, we will discuss the historical and anticipated levels of our base revenue, that is revenue not derived from the South Asia Petrochemical project for the subsea market. We will also discuss the importance of continuing to build that foundation as we return to our growth trajectory.

During the first quarter, we continued to make progress in our adjacent markets. While we still had substantial room to grow in our core markets—refinery, petrochemical, and subsea—we also have important opportunities to diversify our sources of revenue. Our first efforts have focused on LNG and district energy.

With respect to LNG, as engineering firms and asset owners have gained experience with and confidence in our Cryogel products, we have progressed from doing maintenance work to small projects, and now we are competing for projects with larger scope. We have earned the credibility to participant in these larger projects with a proven solution that provides a strong ROI for our end users.

During Q1 we delivered $2.3 million of the approximately $4 million Cove Point order, the third such LNG project we have delivered in the past 12 months. We are currently targeting LNG projects with various scopes, some with $5 million, $10 million, and up to $20 million in revenue potential. We believe this adoption pattern, from maintenance to small scope projects to larger scope projects, applies to many of our end markets, and as our products become more universally recognized, we believe the adoption pattern will be accelerated and become truncated in time.

District energy, where steam is generated centrally and distributed through a tunneled system to a complex of buildings, is another adjacent market where the thin profile and hydrophobic nature of Pyrogel are winning characteristics. After introducing our products to the district energy market in 2015, we more than doubled our revenue in 2016, as we continued to build a portfolio of successful projects. Our products have been installed now by over 50 customers and were recently qualified within and added to the Con Edison Corporate Specification, an important milestone in our penetration of this market.

In addition, we remain on track to launch in the second half of 2017 products specifically designed for the large and attractive power industry, an end market that consumes more than $1 billion of insulation per year. The LNG, district energy, and power markets are examples of our progress thus far in targeting and developing diverse and high-value adjacent markets to supplement our core refinery, petrochemical, and subsea work.

The second topic today pertains to the current commercial environment and market outlook for 2017 where we remain cautious. As we highlighted at the time of our last earnings call, we are assuming, for planning purposes, that conditions in the upstream and downstream energy end market in 2017 will be about on par with 2016, that is to say no meaningful upstream activity and frugal downstream spending by our refining and petrochemical end users. We saw nothing in the first quarter that causes us to want to revise that outlook. While there is recent industry sentiment suggesting the potential for increased activity in the energy markets in 2017, we believe planning for a slower, more conservative recovery is prudent, especially given the late cycle nature of our products.

Our 2017 revenue guidance assumes no significant project work and is comprised nearly entirely of singles and doubles, just day in and day out maintenance and small project work. Excluding revenue from our subsea and South Asia petrochemical projects, our base revenue in millions of dollars has grown from the low $70s in 2013 and 2014 to the low $80s in 2015 and 2016. We project continued growth in this base revenue during 2017 to between $90 million and $100 million. This projected growth in base revenue in 2017 is driven by anticipated gains in market penetration in our core markets, growth in our adjacent markets, and by our price increases.

Our third topic today is a description of the three important performance indicators that we believe will mark 2017 as a successful year. First, our goal for 2017 is to build momentum each quarter by gaining market share in our core refinery and petrochemical end markets by demonstrating value and growth in our LNG, district energy, and power adjacent markets, and by taking a partnered approach in the development of new markets, including building materials.

Our first indicator of success will be characterized by the building of commercial momentum through the year, with Q2 stronger than Q1, Q3 stronger than Q2, and Q4 stronger than Q3. This momentum will position us to resume our revenue and Adjusted EBITDA growth trajectory in 2018. The second performance indicator goes back to our definition of base revenue that is all revenue not comprise of subsea and the South Asia petrochemical project. While the annualized base revenue in millions of dollars for Q1 2017 was in the low $80s, we expect that the annualized number for the first half of 2017 will reach the mid- to upper-$80s.

If we are successful in building momentum during 2017, we expect base revenue to grow into the $90s for the full year. In combination with our expected 2017 revenue from subsea and the final shipments to the South Asia petrochemical project, this level of base business will support our 2017 revenue guidance and position us for renewed revenue growth in 2018. Also, the nature of our 2017 revenue, with no big-ticket items, helps us to avoid negative revenue comparison in 2018, resulting from the completion of significant project work.

The third indicator of success in 2017 relates to the strategic importance of diversifying into adjacent markets. We remain on track to launch in the second half of 2017 a new product, Pyrogel HPS, dedicated to the power industry, an industry that consumes over $1 billion of insulation per year. Success will be defined by our ability to generate $1 million to $3 million of Pyrogel HPS revenue during late 2017, to build a portfolio of case studies and to begin the adoption progression from maintenance work to small scope project work, and then on to larger scale project work.

A bonus would be to attract a lead customer, as we have done in the past, with technique (phon) in subsea, Exxon Mobil in the refinery market, and BSF in building materials as examples. The successful rollout of Pyrogel HPS is also an important demonstration of an Aspen core competency that is our building ability to develop and commercialize new Aerogel products into adjacent and new markets. This key value driver for Aspen bodes well for future efforts as we leverage our Aerogel Technology platform into new and exciting markets.

We will track and report out on these three indicators of success as we progress through 2017. Again, the three indicators are building momentum each quarter, expanding our base revenue, and launching Pyrogel HPS.

During this downturn in the energy market, we have continued to invest in research and development, sales and marketing, and operational excellence, and believe these investments are creating strong technical and commercial positions in our core and adjacent markets and in several promising opportunities in potential new markets. We will continue our strategy of leveraging our Aerogel Technology platform with the support of a strong balance sheet, and we believe we are well-positioned to return to a solid growth trajectory as the energy market strengthens and as we have continued success developing our adjacent and new markets.

Overall, we are confident that the strength of our technology and the ROI that we bring to our end users across multiple markets will enable solid performance for our Company. We will maintain our commitment to grow profitably, to prudently scale up our operation, and to remain financially strong. We have an experienced team of people and we are confident in our ability to execute our strategy and to realize our vision for the Company.

Now I'll turn the call over to John for a review of our financial results.

John F. Fairbanks:

Good afternoon. I'd like to start by running through our reported results for the first quarter of 2017 at a summary level. First quarter total revenue declined 30% to $23 million versus $32.8 million in 2016. First quarter net loss was $9.1 million, $0.39 per share versus a net loss of $1.8 million or $0.08 per share last year. First quarter Adjusted EBITDA was negative $5.1 million compared to positive $2 million a year ago. We define Adjusted EBITDA as net income or loss before interest, taxes, depreciation, amortization, stock-based compensation expense, and other items that we do not believe are indicative of our core operating performance.

Patent enforcement costs had a significant impact on both our net loss and Adjusted EBITDA during the first quarter this year. We incurred $2.7 million of patent enforcement costs during the quarter versus $200,000 in the first quarter last year. At a summary level, the decline of $7.1 million in first quarter Adjusted EBITDA versus the first quarter of 2016 was driven by two principle factors: first, a decline in gross profit associated with the year-over-year decline in product revenue; and, second, the $2.5 million increase in patent enforcement costs versus last year's first quarter.

As we highlighted in February's conference call, our gross profit and gross margin are highly dependent on product revenue and capacity utilization levels. Due to the high proportion of fixed costs in our manufacturing operations, our variable contribution margin on product revenue is approximately 45%. At this 45% variable margin, a $10 million decline in product revenue versus the first quarter of 2016 would be expected to lead to a $4.5 million decrease in gross profit. Our actual first quarter gross profit declined by $4.4 million. In combination with the $2.5 million increase in patent enforcement costs, this $4.4 million decline in gross profit explains principally all the decline in Adjusted EBITDA during the period.

I'd like to emphasize that we have not seen any significant change in the economics of our business. Our value proposition remains strong and our product pricing, material costs, and manufacturing expenses are relatively stable. With future revenue and volume growth we'd to expect growth in gross profit and Adjusted EBITDA equal to approximately 45% of the associated growth and product revenue, and, moving forward, we would expect to see a meaningful reduction in patent enforcement costs.

I'll now provide additional detail on the components of our results. First, I'll discuss revenue. First quarter total revenue was comprised of Product revenue of $22.3 million and Research Services revenue of $676,000. During the first quarter, Product revenue decreased by $10 million, or 31% versus last year's $32.3 million. As expected, this decline was led by the conclusion of shipments to the multiyear South Asia petrochemical project and a continued decline in subsea revenue, in combination with the ongoing weakness in the global downstream markets. In our view, through cause (phon) of the decline in Product revenue continues to be constrained capital investment and low activity levels in our core energy markets.

During the quarter, shipments decreased 30% to 8.2 million square feet of Aerogel blankets while our average selling price decreased by 1% to $2.70 per square foot, in line with our guidance. The slight decrease in average selling price reflected a year-over-year decline in the mix of our higher priced subsea products, offset by the decrease in revenue from the lower priced South Asia petrochemical project.

For the full-year, we continue to expect Product revenue in the range of $100 million to $110 million. This is unchanged from prior guidance. We also expect our average selling price for 2017 to remain in the range of $2.75 per square foot, plus or minus $0.10.

I'll now turn to our Research Services revenue. Our Research Services revenue is related to contract research performed principally for Government agencies. Research services revenue increased 26% during the first quarter to approximate $700,000. This growth was due to the relative value and timing of research contracts versus last year. For the full-year, we expect Research services revenue to be approximately $2 million. This expectation is included in our 2017 total revenue guidance.

Next I'll discuss gross profit. Our gross profit of $2.2 million and our gross margin of 10% during the first quarter represented a significant decrease from the first quarter of 2016. This decline in gross profit and gross margin was driven principally by the 30% decline in shipment volume versus last year and, to a lesser extent, warranty costs of $885,000, offset in part by a favorable shift in mix due to the decrease in volume from the lower margin South Asia petrochemical project.

Looking forward, we anticipate improvements in gross margin, principally associated with our expectation of increasing revenue levels and associated capacity utilization. For the full-year, we continue to expect gross margins in the mid-teens. This gross margin expectation is unchanged from our prior 2017 guidance.

Next, I'll discuss operating expenses. First quarter operating expenses grew by $3 million or 36% to $11.3 million. This growth in operating expense was driven by the $2.5 million increase in patent enforcement costs, a $300,000 increase in research and development expenses, and $200,000 year-over-year increase in all other operating expenses during the quarter.

Moving forward, we expect that operating expense growth will moderate due to a reduction in quarterly patent enforcement costs from the $2.7 million during Q1 into the range of $400,000 to $600,000 per quarter for the remainder of the year. Our 2017's full-year operating expense guidance has not changed. We expect that full-year operating expenses will increase by approximately 8% versus 2016, driven principally by the increase in patent enforcement costs.

Next I will discuss our balance sheet and cash flow. Overall, our cash flow was in line with our expectations for the first quarter. Cash used in operations of $4.4 million reflected our negative Adjusted EBITDA of $5.1 million, offset in part by a $700,000 of cash generated by changes in working capital during the period. Capital expenditures during the first quarter totaled $2.1 million, down from $3.1 million last year. We ended the first quarter with $11.2 million of cash and minimal debt, current assets of $44.8

million, and Shareholders equity of $107.4 million. In addition, our $20 million revolving credit facility remains untapped. During the first quarter, we extended the term of the facility through January 2018.

Our guidance for 2017 is unchanged. Total revenue is expected to range between $102 million and $112 million. Net loss is expected to range between $18.2 million and $21.2 million. Adjusted EBITDA is expected to range between a loss of $2 million and a loss of $5.4 million. EPS is expected to range between a loss of $0.78 and a loss of $0.91 per share. This EPS guidance assumes a weighted average of 23.4 million shares outstanding for the year. This 2017 outlook also assumes depreciation and amortization of between $10.6 million and $10.8 million, stock-based compensation of between $5 million and $5.2 million, and interest expense of $200,000. In addition, this financial outlook includes between $3.9 million and $4.4 million of cost and expenses associated with our patent enforcement actions for the year.

As a reminder, our 2017 capital expenditure guidance of $7.3 million is comprised of $2 million in new projects to be initiated during 2017 and $5.3 million in final expenditures for the pilot line, equipment in support of the new power market product, other projects approved and initiated during 2016. We continue to expect capital expenditures will be frontloaded during the year to approximately $6 million of spending projected for the first half of 2017. During the second half of the year, we plan to constrain capital expenditures to a level slightly greater than $0.5 million per quarter.

Turning to cash at an aggregate level, we continue to expect to use cash during the first half of 2017 to fund frontloaded operating losses, patent enforcement expenses, and capital expenditures. During the second half of the year, we expect to generate cash due to projected improvements in operating performance, anticipated declines in patent enforcement costs, and reductions in new capital spending during the year.

Within the context of the range of our 2017 guidance, we expect to exit the year with between $10 million and $14 million of cash on hand. As always, project work and product mix can create quarterly variability and we will update our annual guidance at the time of each earnings release during 2017, or as otherwise necessary.

I'll now turn the call back to Megan for Q&A.

Operator:

At this time I would like to remind everyone, in order to ask a question please press star, then the number one on your telephone keypad.

Our first question comes from Eric Stine with Craig-Hallum. Eric, your line is open.

Eric Stine:

Hi, Don. Hi, John.

Donald R. Young:

Hey, how are you?

John F. Fairbanks:

Hey, Eric.

Eric Stine:

Good. So I just wanted to start with LNG, kind of what you're seeing here with the increase scope. Are you being asked to do this by the project owner or is it the EPC firm or is it both; and just how we should think about that playing out?

Donald R. Young:

Yes. It's a combination of the two. We have to be in the good graces of both of those players. Again, as we continue to do some of these projects, as we've done the last 12 months in the $3 million, $4 million, $5 million scope, we're, I think, demonstrating the value that we articulated entering this market, and so it's getting a little easier for us with every good case study that we have behind us.

Eric Stine:

I mean, thinking about, kind of, as you're sitting today and what you see, I mean, would you characterize being asked to compete for that scope? What you've done to date, is that tied to one of those projects or has it become more of a broad request from your customers?

Donald R. Young:

Well, we cover all projects that are in all phases, from concept right on through to execution. So we're working all the projects. I do think we tend to have a leg up when we're working with engineering companies or end users, asset owners with whom we've had successful installations in the past. There's no doubt about that. But, our Team is broad going after all the opportunities in that arena.

Eric Stine:

Are you thinking about that? I think in the past you've said that that's not a 2017 event. I mean, I guess that would be—is that more of a potential order in '17 would maybe impact to '18?

Donald R. Young:

I think the impact will be on 2018 and 2019 in that timeframe.

Eric Stine:

Okay.

Donald R. Young:

As I mentioned, and I'll just repeat it because I think it's important, we're really comprised largely in 2017 of maintenance work and small project-type activities. If you go back to these calls in 2014 and 2015 when we were asked about the mix between maintenance and project work, our answer has been that it's roughly 50/50 and sometimes it can weight in one side or the other. I think, especially with the South Asia petrochemical project mostly in our rearview mirror, we were weighted during that timeframe a little over towards the projects, but we're pretty dramatically weighted in 2017 over onto the maintenance and smaller, very smaller scale-type project work.

So, I think over any period of time, longer period of time, that balance should be closer to 50/50. So, when I think about the type of projects that could get us back to 50/50 in that 2018, 2019, 2020, certainly LNG projects are candidates to bring life back into the project side.

Eric Stine:

Yes. Yes. Great to hear that's how 2017 guidance is set. Maybe just turning to district energy, I mean, just characteristics of that market; I mean, do you think it is kind of the same thing or it is increased scope, or is that a market where it's more about just getting in with more customers, more opportunities such as with Con Ed, that sort of thing?

Donald R. Young:

Yes. It is largely made up of smaller opportunities, a lot of maintenance work, and expansions of existing systems. We still believe that that's an opportunity that over a longer period of time can be a $50 million segment for our Company, and it will be made up of a wide range of opportunities without any one big project is the way we look at the market.

Eric Stine:

Okay. Got it. Maybe last one for me, just on Power-Gen (phon) you talked about you'd love to be able to secure a lead customer there. Maybe, I mean, if you're able, describe kind of what that lead customer might look like.

Donald R. Young:

Well, the value proposition for our product is particularly robust in the vicinity of the turbines, and so if you can imagine, there are a small handful of major turbine players and so it would be that type of partner that we think would be really an ideal partner in that market, maybe as opposed to a large power company. I think instead we would like that partner to be on the equipment side kind of over on our side of the fence, if you will.

Eric Stine:
Okay. Very helpful. Thanks.

Donald R. Young:

Thank you, Eric.

Operator:

Again, if you would like to ask a question, please press star, followed by the number one on your telephone keypad. Your next question comes from Chip Moore with Canaccord. Your line is open.

Charles Moore:

Hi. Thanks. Maybe you guys could talk a little—I don't think we heard too much about BASF and the broader sort of building materials opportunity. Just give us an update there if you could.

Donald R. Young:

Thanks, Jeff. Our work with BASF, when we signed those agreements in the summer of 2016, really had a few different angles to them. One angle, of course, was the support of Plant 2, which, as you all know, is on pause for the moment, but that part of the agreement is standing steady and ready to commence when we restart that project. So, that's one part of it.

Then a second part of it was work dedicated towards helping Aspen improve the manufacturing performance in our existing manufacturing plant, and so we've been able to leverage some of the experience and some of the engineering resources at BASF in our plant to look at elements of our operation that are common to all chemical plants; and we've worked hand-in-glove with BASF in that process and we really believe that that will pay dividends in terms of yield and throughput and overall operational excellence in that facility.

Then, third, and very importantly, is the activities around the building material market itself, and we together have developed a product by the name of Spaceloft A2, and that product is in the final stages of manufacturing specifications and we have been sampling it into the market via BASF, and so we're in that early stage of market introduction, getting the certifications across primarily the European market—that's our first focus for that market. So that BASF relationship, I just can't tell you how happy I am with our team and the work that we've done with the BASF team and getting value from those agreements with that company.

Charles Moore:

No. That's great. If we get back to sort of looking at the annualized base revenues in that $80 million-ish range right now, can you just, I guess, talk about trends you're seeing there? It sounds like you're looking more for share gains than any move in the market. Then on that other piece of subsea and closing out that project, visibility on that end? Thanks, guys.

Donald R. Young:

Thank you. The $80 million, it is largely comprised of continued penetration in those core markets that we talked about, in particular, refinery and petrochemical. We have a tremendous amount of room still to grow with these companies all around the world, and we have a terrific focus on that. The second component of that, of course, is our adjacent markets where we've done some nice work in developing these markets. We've got some pace going with district energy and with LNG and we're all hand on deck right now working towards the successful launch of Pyrogel HPS for that power market.

Third I think it's interesting for 2017—the third area where we're being helped, of course, is we put our price increases in place in 2017 which have held and in the vicinity of 2% and 3% for this year after several years of price increases, it's closer to 4% and even 5%. So, those have been the key drivers for us as we've tried to expand that $80 million base up into the $90s as we intend to do here in 2017.

The subsea market, I think we've all been reading the earnings reports of some of the big companies that are deep water and subsea type entities, and there's no doubt that there's a lot more activity going on today than there was even three and six months ago. Having said that, that activity has not really turned into a terrific number of purchase orders for anyone in the chain quite yet, but it's at least nice to see some activity going on in that market.

We are not counting significantly on that market in 2017, as we've said in the past, and so anything we get on that will be upside from our point of view. What we really want is for that market, as we've improved quarter after quarter going into 2018, it would be really nice, as we have that momentum from our base, to be able to add on some of these kinds of projects into 2018 and really get some acceleration back after seven years of growing nearly 30% compounded during that period of time. So, we're eager for that to come about.

You also mentioned the South Asia petrochemical project. We are delivering final deliveries to that project here in 2017. That is a large important company and we're a very good partner with that company, and we know that we'll have opportunities in the future with that company, and so, again, I think we've delivered nearly $60 million of product to that project successfully. We're really happy about that.

Charles Moore:

Okay. Thanks for that. I guess just one last one on the legal side. Obviously with some significant investment the past couple of quarters, just latest on the patent enforcement and do you expect to see some near-term benefit of that or how should we think about that?

John F. Fairbanks:

Yes.

Donald R. Young:

Yes. Go ahead, John.

John F. Fairbanks:

Yes. So we initiated the German proceedings in the fourth quarter of 2016 and those remain ongoing. The ITC in the U.S., the evidentiary hearing was—which is really the trial—was wrapped up in February of 2017, but the Judge has yet to rule. The timing on the results of these trials and hearings is uncertain, but we'd expect to get some initial determination in both venues in the second half of 2017, and we still—we don't want to really comment about the litigation itself, but we can say that nothing's transpired in either Germany or here in the U.S. at the ITC that's diminished our confidence in the strength of our case. So, we're in a wait-and-see mode, but we remain confident.

Charles Moore:

Yes. No. That's fair. Thanks a lot.

Donald R. Young:

Thank you, Chip.

Operator:

This concludes our question-and-answer session. I would now like to turn the call back to Don Young for closing remarks.

Donald R. Young:

Thank you, Megan. We appreciate your interest in Aspen Aerogels. We look forward to reporting our second quarter 2017 results to you in early August. Thank you. Have a good evening.

John F. Fairbanks:

Thank you.

Operator:

This concludes today's conference call. You may now disconnect