Q1 2013 Earnings Call

Company Participants

- Eugenio de Zagottis, Investor Relations and Corporate Planning Vice President

Other Participants

- Andrew Egie, Analyst
- Javier Martinez, Analyst

Presentation

Operator

Good morning ladies and gentlemen. At this time, we would like to welcome everyone to RaiaDrogasil Conference Call to discuss its Results for the First Quarter of 2013. The audio for this conference is being broadcast simultaneously through the internet in the website www.raiaidrogasil.com.br/ir. In that address you can also find the slideshow presentation available for download.

We inform that all participants will be in a listen-only mode during the duration of the Company's presentation. After the Company's remarks are over there will be a Q&A period. (Operator Instructions).

Before proceeding let me mention that forward-looking statements are made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of RaiaDrogasil Management and on information currently available to the Company. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and exception because they relate to future events and therefore depend on circumstances that may and may not occur in the future.

Investors should understand that general economic conditions, the industry conditions and other operating factors could also affect the future results of Raia Drogasil and could cause results to differ materially from those expressed in such forward-looking statements.

Today with us we have Mr. Eugenio de Zagottis, Investor Relations and Corporate Planning Vice President, and Mr. Gabriel Rozenberg, Investor Relations and Corporate Planning Director.

Now I'll turn the conference over to Mr. Eugenio de Zagottis. Sir you may begin your conference.

Eugenio de Zagottis {BIO 7193695 <GO>}

Good morning, everyone. Thanks for attending our conference call, we are making for the first quarter of 2013.

We opened in this quarter periods by -- we ended the quarter with a total of 895 stores in operation and we opened 36 stores in the quarter and this is a record for us in a quarter. We achieved gross revenues of $1.4 billion, with a 11.8% of total store growth and 5.2% of same store sales growth over last year and this happened over an unfavorable calendar that Raia Drogasil our growth of 2.1% versus the first quarter of last year.

Our gross margin have reached 36.6%, a 1.2 percentage point margin expansion. However EBITDA reached $66.2 million, an increase of 8% over the previous year and which is a 4.6% of adjusted EBITDA margin, a 0.2 percentage point margin decrease over the previous year. Finally, we booked net income of $26.5 million, a net margin of 1.8%. It's important to highlights that every year the first quarter is the weakest quarter in the year, as we have unfavorable seasonality not only generating -- not in Brazil but also (inaudible) assortment this time while. And on top of that, this year we had excess volumes on March and also when comparing versus the quarter last year that had a weaker effect. So all in all, always a weaker -- the weakest quarter in sales, but we just get even weakest because of the 2.4% adverse calendar effect.

On this front, I'm talking about our sales growth. We opened 36 new stores in the quarter and closed four stores. Two of these four closed stores were in Goiania where we opened many stores acquired. They had been acquired but assume that we open now. So for two stores of those we moved the location from the old ones to the new store. And we also suspended one store which made the total store temporarily closed for renovation to be opened under a different brand.

In this quarter, we recorded the greenest store portfolio since the second quarter of 2011 with 36.6% of stores, still with a growing maturation and then only 63.4% mature stores. So as we have a greener portfolio, we need more expense pressure from the open stores as we add more future maturation potential coming forward.

On page five, we opened this year 76 stores versus only nine stores last year. So our opening rate is growing much faster less than last year. And in addition to sales in the quarter, it's important to highlight that we had opened 65 stores over the last four months and seven new stores over the last six months. I think that is this quarter number. We already have, I guess today 906 stores in operation. In operation 47 opening in the year already. And then we have contracts that guarantee a total of 106 stores so far. And as the year is still in early May, I'd say that we're absolutely on track to meet the guidance -- the new store guidance of 100 store for this year. The challenge for us is not opening the (inaudible).

The challenge for us this year is to getting able to source the same kind of pipeline to start next year that we enjoyed in the beginning of this year. Because if we did that, we will create as much of an increase next year just as we are doing this year as supposed to our big stock concentration at the at the end of the year. And that's what happens when we starting for weak portfolio. So we're working not only for the 106 stores, but obviously view the strong pipeline for next year as well.

On page six, in terms of all geographic drivers, I'd like to highlight the openings of 23 stores that were acquired from Drogaria Santa Marta in the state of Goias. Twelve of these stores were opened under Drogasil which is the leading brand in the state which has a very, very strong brand there and we leverage as many stores as possible that were complimentary to the current RaiaDrogasil footprint. But as we had a lot of stores, there are many new stores and they are located in regions of Brazil and is also strong, we decided to bring higher into this market.

So the 11 stores opened in Goiania, they were opened under the Raia brand and this was one of the assumptions that allows us to purchase these assets, I mean if you are now able to bring an any brand in the state, overlapping would do this from buying these but may be has two assets, two brands, we are bringing higher inside Goias, it brings as us unique position in this market where we had two new brands to complete.

And the initial numbers for the new stores acquired both from Drogasil, but also for higher Raia Rio Grande. So we're very happy with what we have achieved here.

Our market share increased from 8.6% to 8.8% in the quarter. We are dealing here with IMS numbers and IMS reports not the demand, but the commercial merchandise credits [ph] from wholesaler to retailers. So, it's very difficult to compare the figures of this quarter to the present quarter and try to go up in this level at end of March, a lot of retailers they increase the level of inventories before March.

So, as we haven't increased as much our inventories in advancement for the price increases, when you looks IMS, it looks like we lost share from December. We used for -- on a short term basis, I think the reason at the (inaudible) pharmacy and don't participate it but today they uses our market share we seen in drug pharma.

And our market shares we've seen under pharma is larger now than it was in the first quarter and the debt versus last year is above 50 basis points. So, we are very comfortable market share and we think the IMS is a good figure for both quarter -- year versus the previous year, but not from the shorter price tags.

So, our highlights as in Goias, even though new drugstores are opened in the very end of the quarter. We still could see some results there. It still made a difference, so we came from 2.4% of market shares there. Previously discussed is another market where we seeing 50 basis point and we reached 9.1%. Mato Grosso do Sul is a market that we operated there less than a year and we have a (inaudible) of 5.4% of market share. Rio de Janeiro increased from 4.9% to 5.2%.

Santa Catarina it's quite a recent market. We reached 2.7%. Mato Grosso also marking the year at a cyclical time. We also grew in Rio do Sul and we registered 1.5% market share in the year, a very recent market as well.

On to seven, we are talking about our revenue growth. Our total revenue have grown a 11.8% in this quarter. Same store sales grew 5.2% and mature store grew by only 2.2% in the quarter. It's important to highlight that in this quarter we had a negative calendar effect when compared to last year as previously we explained last year was a leap year, so its one extra day of the sales and also the extra holiday fell in the quarter. So the effect was 2.1%. If we adjust for calendar still we have 13% of good revenue growth, 7% of same store sales and 4% for mature stores retail, a modest growth rate.

What has to be considered here is that we are comparing versus a peak quarter -- peak first quarter 2012 because we reach our mature stores have grown by 11% and our same stores sales have grown by nearly 50%. So we are comparing versus an impossible quarter of last year, and it was no surprise that our comps fell significantly.

Looking forward, it's important to mention that already in April and in the first week of May our comps again normalized as our comp base is also a more normal one. So we have registered in March and early May -- sorry, in April and early May mature store growth, something like 25% below inflation. So, we are catching up, I believe we slightly behind our hedge inflation in the second quarter. And then we believe in the second semester as you gain momentum and also as our comps ease up then I think we get to the normal comps that we generally post, which are 50% above inflation. So very challenging first quarter in terms of revenues, better off but still not there in the second quarter and then probably again in line in the second semester of the year.

On page eight, in terms of our product mix the highlights were generics was grown by 60% and reached 11.8% of the first quarter of last year. But generics have been stable over the last quarters. And also OTC after a very long time of OTC being down and done under the quarter as a portion of the total mix. The weather in the first quarter as it was very rainy, as it was colder than usual, we have seen OTC gain market share, 30 basis point and hygiene personal care for the same reason losing 40 basis points in market share. So this is like a testament to the kind of weather that we have seen in the first quarter.

Talking about our gross margin, we posted a gross margin of 36.6% in quarter, 1.2% above the same quarter last year and that's basically due to the cost synergies achieved in the margin. If you compare this gross margin with the fourth quarter, gross margin was down by 50 basis points. Here, it's what it is highlight that in the fourth quarter we had a peak of trade allowances that help us lot with a very strong quarter as far as trade allowances and this is a normal quarter in terms of trade it's not too long but also not the peak we saw in the fourth quarter.

But what that made a difference here is that we had an increase in inventory losses by 30 basis points. This has been because of the expiration of some specific product lines and also because in December one of our brands doesn't carry for inventories in December. So when the store inventories don't generate, we are incurring a higher inventory loss here. But this something very specific to the quarter, and it's not something that should affect our margins coming forward.

And also we have to mention that we are still suffering from the from the tax regime change that we did last year. But we got great news, last month because that the government of Sao Paulo issued a decree that will allow the government to summon specific manufacturers that have interdependent wholesalers, meaning wholesalers that belong to the same economic group and to achieve a tax rate, this will impact to some of the excluding wholesalers and excluding wholesalers sales to the whole market.

The government can now summon those suppliers to change the point of their selection from the manufacturers to wholesaler. This is great because depending on which manufacturers are summoned by the government, if the manufacturers summon at the same forecasting our loss, because our loss tends from affect planning that aims that again the tax rate. So we have the power of facing a problem.

So, we are now in the crucial moment because, the $100 million in retain tax credit has been already recovered. So all we are waiting now is to see what effect of summon by the government, which we believe that system manufacture solution that is breaking problem until once generation's overlaps. That makes all the amount of time portfolio situation to normalize. These gains the manufacturers who have generate these loss are not certain then will probably we dropping out this tax regime and getting back to the previous tax regime. The only reason that why we adopted this tax regime was to recover 100 million in older tax credit that otherwise would probably that we have the reason that there was no other reason to recover this tax.

So, I don't think the normalization that we begin will happen this quarter, if they are less it's already happened in the third quarter and reflecting the benefits in the fourth quarter. Otherwise it can be last on next year, but still getting out this matter is something less for next year. But still getting out of this mess is

something that is very welcomed.

Talking about cash cycle, I think this was a good quarter in terms of cash cycle we have maintained different cash cycle of the first quarter last year. There's always an unfavorable seasonality in terms -- that mix in the first quarter (inaudible) in terms of the results working capital. So that we managed to maintain the same cash cycle of last year. I would a very steep reduction in inventories. Our inventories have gone down by eight days then we anticipate, but as we have stopped or reduce depository to drain excess inventory, what also happened there is stopped generating supply invoices. And as a result, temporarily, our business suppliers went.

So, what we expect to happen going forward is to maintain the kind of inventory improvement that we have achieved. So, there has been restock, replenishing at a normal pace. We would probably see the days of suppliers growing up and the improvement in inventory base translating in a full cycle cash improvement. So, this is something we are optimistic about.

Sales expenses. Our sales expenses increased by 1.5 percentage points over last year. We are carrying for the second and third quarter was in a row the same level of expense increases, not the expense on our first quarter. We're just carrying this kind of delta over the, that we were already carrying in the previous two quarters. Part of this expense pressure is structural, personnel and rental in industry (inaudible). But then we have logistics and store openings that have more to do with timing.

We opened seven distribution centers in the last -- sorry, five distribution centers in last two years. We opened a very large distribution center in the last November. So, we expect this is a good result. However, as we are not opening any new addition either this year or next year, but this figure should normalize.

And finally, as we have opened 26 stores this quarter versus only nine in the first quarter of last year, we had a huge peak in store opening pressure, 40 basis points increase over last year. And these are comparing to the fourth quarter, (inaudible) basis points of additional pressure as the difference from opening was gigantic, I mean, 26 for first quarter versus nine stores last quarter.

So, our -- we maintained the same kind of the same pressure between the quarters that we have performed compared to last quarter a 30 basis points in additional retail pressure and we absorbed 40 basis points in calendar pressure, because as I was saying last week, we are effectively selling 2.1% below what we should be selling. Basically we grew 2.1% lastly (inaudible) grown, correct? This leaves an additional expense pressure of 0.4% because of it's the same expenses in the lower revenue base. So, for me, the quality of the numbers in this quarter that looks much better than the quality of the number of the previous quarter, even though the profitability has the same kind of net versus the previous year that we have very structural trend that we managed at least for them not to get further worsen. And we have stopped those trends with the same kind of expense increase.

This slide will talk about the G&A. Our G&A in reais has remained flat and I think we have done a good job of controlling it. We achieved 10 basis points of general dilution and here, that G&A dilution is not just affected by other (inaudible) with more regular use have got more than the leverage.

And finally, we got an EBITDA of 4.6% last year on the back half 40 basis points in the margin pressure arriving from the best situation. You saw the negative result in this quarter were R$7 million versus only R$2.5 million the negative result in the fourth quarter of last year. I'm talking both the initial negative numbers in the stores opening in the year. And the pre-operation has started but already been booked by the quarter yet to open in the year. So we -- as we have -- we evaluate R$4.5 million more growth than what we've seen in last year. So it was just a deep driver of margin pressure not to the calendar 2.1% in revenue below what it should have been in terms of the calendar -- values of R$7.2 million in EBITDA because of lower sales and lower gross profit.

Talking about the phase of interest and taxes on page 13. We have include in the depreciation 30 points basically more in the stores with more CapEx and more capital and more depreciation, so it's just a reflection of our investment growth. We have financial strength of 40% by 4 percentage points above last year because we have a lower cash position now that we had in last year and what offset the pressure was affected as we started the good year.

We approved 0.8% of revenue this is actually in the first quarter last year versus nothing now. So the tax shield that -- we got in this quarter likely be the reason that the effect is so (inaudible). So we basically -- (Technical Difficulty) still maintain a stable EBITDA margin -- net-net margin, 1.8% in the quarter versus 10.9 last year. We had (inaudible) those were integration expenses. So both consulting and legal and accounting R$2,000 million. This is basically closing all the -- in the corporation of Raia, we had to re-license and almost reopened 7,00 Raia stores. So those old legal entities where our older stores, they are now being closed and in order to do that, they have significant return on sales and corporate expenses of R$2.4 million.

The previous number Reais include tremendous corporation, while indeed incorporation all the highest stores lost the credentials to sell Farmacia Popular and it takes couple of months of the licenses to be re-obtained. So what we are doing there a lot stores in Farmacia Popular is very important and we think we can put the (inaudible) but also additional revenues and those customers would buy from us.

So we obviously maintain the consumer as this is a short-term navigation we subsidize the program in some of our stores. So the number in the quarter was R$5.5 million, a decrease in (inaudible) as these number is going down as like what is our outcome, as the number was R$1.2 million in March quarter, so we still expect to see non-recurring expenses with the second quarter of Farmacia Popular. And then identifying this in quarter they distribute through the zero, I guess more (inaudible).

So we are not managing cost structure but we are managing to create value for the medium and long-term. So believe it's better to have a stance like here and to maintain our client rather than to have to move the client and couple of down the road get after those clients to get them to back to that switch market assets. So we have believe what is actually a fall for the medium and the long term.

And finally, we had no recovered gains from these reversion provision of R$4.5 million. So the total, non-recurring expenses were R$7.7 [ph] million that provided a new compaction of R$4.9 million, so what you are looking at net income R$3.8 million impact from non-recurring expenses.

I'm pleased to discuss our cash flows. We had the same level of, we've got some operations generated from the fiscal quarter last year R$2.9 million. However, as we maintained our cash cycle stable we are able to move that we had a neutral or positive cash flow before investment versus our big negative number last year. And after investment even though investment were weaker than last year we still had a strong cash flow of R$50 million negative versus R$165 million last year. We believe that we had to improve constant cash in quarter and move this during the second quarter I believe that in the second semester and the end of the year is global. This is probably a neutral through like positive years in terms of cash generation approximately that materializes by 2013 but it need to happen.

Finally, our supply is down 1.6% over the end of last year, that's very less than what than what happened to the IBOVESPA went down by 8.4%. For those investors who (inaudible) we have 27% of average annual returns and for those investors in the RaiaDrogasil (inaudible) investment trend, the average annual recurring has been 38%.

To sum up before opening to questions. This was a very challenging quarter, because first of all we had to perform a negative calendar effect of 2.1%. We have to perform a low comps because of the huge comp peak of the first quarter of last year when the two quarters run by 11%. As we talk about comp, it was quite clear all the time that we never beat this numbers but we have to believe that the numbers are final in the quarter. They were below our expectations and actually we rather have to give that (inaudible).

The sale challenge was due to the quarter and still in the expense side, we also had to deal with a big increase in expenses from this quarter as we opened 36 new stores versus only nine last year. But even without that kind of pressure, our EBITDA margin and net margin that very similar but just slightly below what we saw in the fourth quarter of last year. We had comparing to the fourth quarter the same kind of quarter in terms of pressure, but we see that pressure almost by (inaudible) effects of new store opening and the lower profitability because of the result of the calendar. And on top of that, I think we are in a great track in terms of working capital management in terms of reducing inventories and getting ready and getting ready to reduce capitalized cost.

But for me the quality of the numbers in this quarter is much better than what we saw on the fourth quarter of last year. It's still a good result. The margin was good this year, is quite similar. When we look to the second quarter, we're gearing our mature stores gearing growth -- growth inflation. So the same strength is not where we want, but it is normalizing. So that is the best (inaudible) now than it was in the first quarter in terms of revenue growth. I believe we have a similar gross margin when compared to second quarter of last year.

We are maintaining a strong pace and for long we can have a similar quarter in terms of profitability versus the second quarter last year. So 0.2% more or less than what we saw in the second quarter of the year. But then as we reached the second semester, we see this is an -- we expect the margin expansion to take place. And then we further resume a good (inaudible) growth ahead of inflation because our cost to grow for the balance of year progresses.

So the first quarter is easier than the second quarter and the fourth quarter is easier than the third quarter. So we see matures stores getting back to normality, inflation plus one and inflation plus two in the second semester of the year. We believe then the tax issue will result in the second semester plus in the (inaudible) also the expense from new store that we're seeing now, it would be a relief through the end of the year because these stores that we open now can generate positive results by year-end that will help us to offset the pressure from the first two semester.

Now to mention that, when you compare the (inaudible) be opened in this first quarter versus last first quarter, at the very least will be similar. So what is now a headwind will become a tailwind further down the road as the new store pressure evolves.

So this is what we had and we'd like to open for questions.

Questions And Answers

Operator

(Operator Instructions). And the first question is from Andrew Egie from Andrew Egie Capital. Please go ahead.

Q - Andrew Egie

Hi. I'd like to understand a little bit more about your Popular brand strategy?

A - Eugenio de Zagottis {BIO 7193695 <GO>}

Well, thank you for the question. The first thing to mention is that as of now we have a Popular brand pilot and not a Popular brand strategy. One of the challenges that we have in the Company is that we have a very successful performance. But that performance does very well in upper -- in regions with -- affluent regions and upper middle class regions. Our stores, when we enter more popular regions and we try to serve less affluent consumers, our store model generally doesn't work well because the price perception of our stores is unfavorable and people think that they need -- they are more expensive. And also the cost -- our stores, they are costly stores to maintain.

And generally, we cannot derive the same levels of revenues in Popular stores than we can in the normal regions where we compete. So our growth in the next two, three, five years, I mean, doesn't depend much on growing into popular areas. But when you look beyond that, I think Brazil has -- is much bigger if you can count in the whole country versus only the affluent areas of the country. So we are running a pilot. We now have five stores. We probably reach 10 to 15 stores by year-end with the new brand which is Farmasil. It's like a sub brand from the Drogasil. This is a store that it's much lighter in terms of capital investments. So we can solve that issue with a much lower CapEx entity achieved the same kind of return. So we are passing the concept if we -- if and when the concept is approved, I think we have a huge opportunity ahead of us. If not, life will go on as you usual, so as of now I wouldn't advise anyone to contemplate that in their model because it's just a pilot. We need to get evidence that you can achieve a good performance; the revenues and margins required for (inaudible) to be similar of that of our regular stores.

Q - Andrew Egie

Okay, thank you.

Operator

(Operator Instructions). We have Javier Martinez from Morgan Stanley. Please go ahead.

Q - Javier Martinez {BIO 15226046 <GO>}

Yes. Thank you. Hi Eugenio. Sorry if I'm asking something you talked about but I came a little bit late in the call. And when I compare the market share that you released in this first quarter versus the one you released in the fourth quarter, this (inaudible) a little bit strange to me. Maybe there was a typo in those or there was a 40 market share in fact happening?

A - Eugenio de Zagottis {BIO 7193695 <GO>}

Javier, thank you for the question. We are using here IMS data. And IMS data it works when you (inaudible) versus the previous year. But it doesn't work well to track short-term market share changes. And why that? Because IMS does not track demand. The number that IMS compiles and reports are based on the sales from wholesalers to retailers. So they're not tracking demand. They're only tracking selling. They're only tracking inventory pressures.

And the first quarter of the year is exactly a quarter in which a lot of retailers increase their purchasing because of -- they do forward buys before the annual price increases. So we cannot compare the fourth quarter figures with the first quarter figures. What we used to understand where we are as far as market share, is ABRAFARMA data. companies. So every drugstore that is a member of a ABRAFARMA, the Brazilian drugstore trade association, we will (inaudible) our demand already from ABRAFARMA. And I know exactly what was my market share.

We've seen ABRAFARMA in Brazil. We've seen ABRAFARMA in Sao Paulo. And I don't know state by state, but I know Sao Paulo and then I know specific regions. And when you look at this quarter versus the fourth quarter, our market share is slightly better now than they were in the first, but it is not -- quite similar, but it's slightly better than the fourth quarter. And when you compare with the previous year, both in Sao Paulo and in the country, we are 50 basis points ahead of where we were last year. So IMS -- we use IMS as the only data that opens state by state. But it's not a good tool to track short term situations in share.

Q - Javier Martinez {BIO 15226046 <GO>}

Alright that's great. Thank you, but then relative with that you have a fall in inventories year-over-year. Does it mean that this year you didn't want to do the EBITDA, to price EBITDA so you were expecting lower price increase and because of that it's not work with as you did last year?

A - Eugenio de Zagottis {BIO 7193695 <GO>}

Well, the price increase this year is actually higher than it was last year. But I believe we did fall in line last year as we increased our cash cycle significantly. So we already entered December with a high level of inventories. So as a result we didn't need to further increase our inventories.

Last year, managing working capital, it was challenging. We had huge working capital pressure. The net cash position we have now is not the same that we had in first quarter of last year. So both because we entered the quarter with a very high level of inventory and because we had challenges last year managing working capital we decided not to go with the forward bias. But that will -- I don't believe that we prevent us from achieving a similar level of gross margin in the second quarter when compared to that of last year.

Q - Javier Martinez {BIO 15226046 <GO>}

Okay. So then just to clarify -- I mean, to make it clear, so that I understand 100%. Then I understand that regulatory maximum price is good, but you do not see any reason to believe that the actual price is driven not by the regulation but supply and demand are going to be weaker this year or anything like that, right?

A - Eugenio de Zagottis {BIO 7193695 <GO>}

I believe -- I mean, everybody -- I mean, every player in the industry, that that (inaudible) price recovery increase is the price of (inaudible). So we are seeing the full benefit of the price increase. So what happens to the maximum store price is a good proxy for what happened for the real prices at which our merchandise sold. So that shouldn't be a source of trouble.

Q - Javier Martinez {BIO 15226046 <GO>}

Okay. (inaudible) Eugenio. Thank you very.

A - Eugenio de Zagottis {BIO 7193695 <GO>}

Thank you.

Operator

(Operator Instructions). It appears to be no further questions now I'll turn the conference back to the Company for their final remarks.

A - Eugenio de Zagottis {BIO 7193695 <GO>}

Well, I like to thank you all for attending this conference call for the quarter in the Company. I believe you have a very interesting trend coming forward in terms of margin expansion. I believe we'll see the margin expansion this year. I don't think it will be huge. But I think we'll see and I think that will be get here in the second semester of the year. And when you look forward, we are opening 100 stores a year. Our stores are coming very well. We are very happy with the store growth. I think we are well position in an amazing market that has a lot of tailwinds from aging population, fragmentation of the market and the cost inflation process that is that is taking place. So we're still very positive on the trend in this Company this year and especially in the future. But we cannot But we cannot ignore that with a growth program like the one we manage there is some kind of volatility compared to 2013 and leverage our portfolio greenest or whether the portfolio is momentary.

So, in order understand where you really are, you had to re-understand the transition what maturation that which should depress a higher or lower pressure from the employer calendar effects of 2012. This was very challenging quarter. But I believe it's part of all the debt of all the he frequency. We are happy of where we got and we feel very good effect of semester and we'll see overall good news. Thank you very much.

Operator

Thanks you ladies and gentlemen that concludes today's teleconference. Thank you participating you may now disconnect.