Q2 2003 Earnings Call

Company Participants

- Curtis Smith, Host
- Paul Altit, Braskem, S.A.

Other Participants

- Alex Muru, Analyst
- Anna Jagger, Analyst
- Daniella Guanabarda, Analyst
- Kyle Zobetki, Analyst
- Unidentified Corporate Representative

Presentation

Operator

Ladies and gentlemen. thank you for standing by. (Operator Instructions) At this time, I'd like to turn the conference over to Mr. Curtis Smith [ph] from (indiscernible) Financial. Please go ahead, sir.

Curtis Smith {BIO 16748580 <GO>}

Good morning, ladies and gentlemen. and welcome to Braskem's conference call to discuss the first half 2002 results. I would like to mention that a slide presentation has also been made available on the Company's Web site at www.Braskem.com.br [ph], which is being transmitted with an audio feed over the Internet at the Web site.

This conference -- until yesterday, we had arranged for this conference to be recorded live by Bloomberg in New York, to be made available for replay on Bloomberg professional worldwide sites. We hope that the power outage in New York has not impacted this service. Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Private Securities Litigation Reform Act of 1996 [ph]. Actual performance could differ materially from those anticipated in any forward-looking comments of results that affect our company conditions, market risks and other factors. On today's conference call, there will be a brief presentation, after which management will be available to take your questions. It is now my pleasure to turn the call over to Mr. (inaudible) Marcus (inaudible), Braskem Investor Relations Officer. Please go ahead, sir.

Unidentified Corporate Representative

Thank you, Curtis. Good morning, ladies and gentlemen. It is my pleasure to have you participating in Braskem's international conference call to discuss our Second Quarter results for 2003. And as Curtis just mentioned, Braskem, for sure, is aware of the power outage in New York and in the northeastern part of North America. But we thought it was important to maintain our already formed schedule. And if there will be additional interest, though. And also considering that this conference call will be available on our Web site, we might repeat the question and answer session, for example, in the next days. And just please enter in contact with us.

So, that said then, after an overview of some of the main trends in the petrochemical sector, in the first half, Paul altit, Braskem's Chief Financial Officer, that is here today with me, will go over some of the main financial highlights for the period. Afterwards, we will be available to answer your questions.

Just as a reminder, the figures through the Fourth Quarter of the (inaudible) are pro forma, starting in the First Quarter of 2003, our data reflects substantial consolidated earnings. You'll notice that we've made some changes to our Web site, which will make access to Braskem's financial information even easier and faster. As always, the investor relations team is accessible for you whenever necessary. And, that said, this presentation and other public information on Braskem are already on our Web site.

Moving ahead. And before talking about our earnings for the first half of 2002 and 2003, I would like to highlight a few trends that occurred in the petrochemical industry during the period. In fact, we had two quarters that were totally different from one another, (inaudible) the volatility and dynamic nature of the Brazilian economy. In the First Quarter, domestic demand was higher than expected. But, raw material prices were also much higher due to a series of factors, including the war in Iraq, uncertainties that remain in the first month of the year, etc. In the Second Quarter, NAFTA [ph] prices, as we know, began to fall -- although still above the historical average. Our prices continue to be aligned with international prices. But slightly lower than in the First Quarter, due to factors such as the SARS epidemic (inaudible).

The Chinese market, as you know, is very important to the balance of supply and demand in the global petrochemical industry. And the Chinese demand fell by around 20%, was strongly (inaudible) have delivered in the Second Quarter. Inventories also fell significantly. And created a backlog in orders, which probably will bring a very positive impact on the market in the second half of this year.

We also had a substantial decrease in the domestic sales volumes across all of our (inaudible) lines during the Second Quarter. However, our flexibility allowed us to shift our sales to the export market, offsetting lower domestic sales volume. And (inaudible) more important, keeping the same inventory levels in (inaudible) from one quarter to the other.

Moving on now to our slide Number Four, you'll notice that the first half brought some good news as well. The war in Iraq ended without any significant impact to our exploration (inaudible). From an economic standpoint, the SARS epidemic is no longer a threat. But it seems that production has returned to normal operating levels. And (inaudible) has resumed in Asia. It is accepted that prices will begin to recover possibly starting in August and September of this year. There is also an expectation of a gradual gross recovery amongst the world's leading economies in the second half of the current year. Projections -- .3 [ph] % GDP growth in the United States, which will have a positive impact on consumption.

And finally, it is important to mention that on the supply side, there are very few expansion projects (inaudible) in our second. And none of them are of large-scale. Expansion and (inaudible) also making projects generally take two to three years. And green field [ph] products take up to four or five years in the petrochemical industry. This means that demand will very likely grow faster than the ability for industry to expand supply. You can expect, therefore, that the industry will be operating at 90% of its capacity at the beginning of next year, 2004. And historically, these level of capacity have always resulted in cost-cut [ph] shifts that (inaudible) into greater profitability (inaudible). So these (inaudible) together make up a very much positive environment for the industry in the near future.

It is important to analyze pricing and cost trends in order to (inaudible) the components of Braskem's profitability. In this slide, number five, we show index prices for NAFTA [ph] and low-density polyethylene, which is the good presentation of pricing trends for our sector. You'll notice that from the beginning of the year, low-density polyethylene prices have returned to a level slightly higher than at the beginning of the year to 102%. While NAFTA is at 85% of its costs in January. This shows that we have been able to increase our market with respect to our main raw material costs. This means that our profitability has improved compared to the beginning of the year. And we expect that with higher sales volumes, this impact will be more extracted [ph].

As you are aware. And since (inaudible) was created, we have been making a constant effort to simplify our corporate structure. In the Second Quarter, we made significant progress, as you can see in the chart on slide Number Six. As you know, at the beginning of the quarter, on March 31st, we successfully integrated OPP, nitro-carbono [ph] and (inaudible) into Braskem. Later in July, we announced the migration of Nationwide [ph], who held Trikem and Polialden common shares into Braskem, as well as the acquisition of the common shares once held by Mitsubishi in those same companies. With this, you'll see that we now hold 100% of Polialden's voting shares. And 93% of Trikem's voting shares. We are prepared to hold a public offer in the next few weeks, of the remaining Trikem common shares of the market to bring our holding stake to 100 shares. After this is completed, we will be prepared to begin the final phase of our restructuring. And study the most appropriate way to migrate preferred shareholders of Trikem and Polialden also into Braskem. As we have promised, since Braskem's formation, this simplified corporate structure will generate important synergy gains for Braskem's shareholders.

I would like to give you an update of our progress in this area. We are actually ahead of schedule in realizing our projected synergies. By the end of June, we captured R$240 million in synergies on a recurring annual basis. This has had a positive impact on earnings in all areas of the Company. And Slide seven will show the main highlights of the first half. As mentioned earlier, costs and demand volatility presented challenges for us in the first half. However, our flexibility and agility to adjust our operations and sales helped us overcome significant challenges in the Second Quarter in order to stabilize our profitability and earnings.

In the Second Quarter, we were able to shift our sales aggressively to the export market and offset lower domestic sales volumes. You'll see that our net revenue for the first half increased an impressive 65% compared to last year, totaling R$4.4 billion. EBITDA by itself increased 54% compared to the first half of last year. In the First Quarter, EBITDA was R$450 million. And in the Second Quarter, this number was R$405 million, with the Second Quarter being impacted by lower sales volumes. However, when converted into U.S. dollars using the average exchange rate for the period, EBITDA remained stable, totaling $130 million in each quarter. This confirms our ability to respond and adjust our strategy for market conditions. We continued to reduce our investments during the quarter, which ended at R$5.7 billion. And part of this reduction, yes, is exchange related. But another important part comes from our (inaudible) aims at debt (inaudible) that Paul altit will talk about later on.

Our net profit for the first half was R$468 million, a significant improvement compared to the same period in 2002. Our net debt-to-EBITDA ratio has consistently improved over the past quarters, falling from 5.8 times at the end of last year to 3.5 times at the end of last quarter. It is important to note that this calculation excludes the extraordinary items in the Fourth Quarter. If we (inaudible) the combined effect of our improved cash integration. And continue debt reduction efforts, we still will work hard to improve even further, going forward.

I would now like to turn this call over to Paul Altit, who will provide you with more detail of some of the financial items during the quarter. Paul, please go ahead.

Paul Altit

Well, thank you, very much, Jose Carlos, (inaudible). Good morning, ladies and gentlemen. As (inaudible) mentioned, the first and Second Quarters were really very different from one and another, with significant volatility in NAFTA prices and exchange rated.

Slide Number Eight of our income statement shows the positive impact of the many initiatives we have taken to maintain the Company's profitability. First of all, we started realigning our (inaudible) international levels. We worked a lot on our supply chain management. We managed to have more scaled flexibility between domestic and export. We captured synergies, including G&A expense reduction and cash costs reduction. We had a very important discipline on CapEx expenditures -- 65 million was invested in (inaudible) park [ph]. We announced 300 million in CapEx for the rest of 2003. But the board improved the contingency plan to reduce this to R$100 million in order to guarantee cash flow for operations, should that be needed.

It's also important to mention that, as an initial step toward this divestment of non-core assets, Braskem also divested its stakes at Norsel [ph]. You'll see the amount $32 million [ph], out of which 5 million will be exchanged for shares in Citrell [ph] in (inaudible) Company locations (technical difficulty) more complex (indiscernible).

In the next slide, Number Nine, we've highlighted important part that exports have in our business. In the first half of this year, around 23% of Braskem's revenues came from export sales. In U.S. dollar terms, our exports have grown, year-over-year. And given the flexibility that (inaudible) Marcos mentioned, we will took advantage of market and financing opportunities. So, exports grew by 38% when (inaudible) when compared to last (inaudible).

If we take a look at our sales volume in Slide number 10, you'll see that, even with the lower sales in the Second Quarter, our (inaudible) remain stable for the first half. Ethylene sales were up 11% when compared to last year, with our ethylene production operating normally (inaudible) advancing last year. It is important also to remember that approximately 45% of our ethylene production is sold to companies within Braskem who (inaudible) outside of the group.

It was also a slowdown in the Brazilian economy in the Second Quarter, which impacted thermoplastic sales in the Second Quarter of this year compared to last year. However, it is important to mention that we were able to partially offset the slowdown with additional export sales in the Second Quarter. We made an effort to efficiently manage our supply chain and working capital during this half, making sure their production was in line with sales. In our vinyl unit, for instance, we stopped production for (indiscernible) by year and seven days (inaudible). Surely, our PVC was impacted by this stoppage, which does not secure the (inaudible).

In terms of our cost of goods sold shown here on Slide Eleven, you can notice that NAFTA repossessed [ph] around 69 [ph] % of our costs. The price of NAFTA in the First Quarter was an average of $218 per ton, going to $222 per ton in the Second Quarter. As we have mentioned earlier, the Company's response to the volatility of NAFTA prices, is reflected in the measures I mentioned earlier, such as supply chain management, price alignment and also commercial agility.

I would also like to mention that the position on (inaudible) remains in line with what happened last year, which was approximately R$130 million retail. There are two important variables that are worth highlighting here. We had a reduction in (inaudible) from 11% of revenues to 8% of revenues. If you look at our international peers, we'll see that we maintained fixed costs at approximately 10 to 12%, which is what Braskem had before the (inaudible) and synergy gains. After our effort made to improve efficiency, our cost competitiveness also became more (inaudible), with fixed cash costs representing under 8% of revenues. Certainly, if an upside from the future (inaudible) of the industry materializes, this (inaudible) will even improve further. We also had improvements in general and administrative expenses from 6 to 4% of our net revenues, which also shows our competitiveness in the industry. If you look at these expenses in real terms, without the effect of inflation, the 10 million increase from 160 million to 170 million is much, much lower than inflation during the same period of time.

In the next slide, Number 12, we show the relative impact of volume and price variation on our EBITDA, as well as the main variation in costs and SG&A between the first half of '03. And '02. We can note that the price alignment had the largest impact on EBITDA, with the cost contribution of R$1.6 billion year-over-year. This represent, mainly, our price realignment efforts.

Fixed and variable costs (inaudible) had a negative impact R$1.3 billion was not accounting for 1 billion of this total. If we will also notice, we have shown a breakdown of our other cost covenants such as gas, oil and natural gas, which you can see had a negative 125 million impact on EBITDA, year-on-year.

When we mention EBITDA, the (inaudible) to highlight here is consistency. In the past quarter, we were challenged with a drop in sales volume, that if we compare the first and Second Quarter in U.S. dollars, EBITDA remained stable at $130 million, remembering that there was an appreciation of the Real during the quarter. As we have mentioned in prior quarters, our EBITDA margin continues to be above industry average, further evidence of Braskem's really high quality of competitiveness [ph].

Moving on to talk a little about Braskem's debt situation, on slide 13 -- we can notice that our net debt was reduced from 1.1 billion Reals in December of last year throughout June this year. As we have mentioned before, this was due to our strong operational cash flow of around 118 million Reals (inaudible) during the first half, efficient working capital management and also synergy realized since integration. This had a positive effect on our net debt to EBITDA ratio, which fell from 5.1 times at the beginning of the year to 3.0 times during the same period. We have set an objective together with the Board of Directors to reach a level of three times in a short period of time.

If you look. And take a closer look, at Braskem's investments on slide Number 14, we can enjoy the fact that U.S. dollars denominated [ph] debt of September of last year represented around 73% of our total obligations. At the close of late last quarter, U.S. dollar portion of the debt fell to 66%. This basically occurred because Braskem has been amortizing its portion of debt related basically to the capital markets and also trade financial (inaudible), which are denominated, surely, in U.S. dollars. The (inaudible) financing lines are mostly self amortizing. And they are paid down with export revenues. The final portion of the debt that Braskem is amortizing is with Bank of Brazil and (inaudible) long-term investment funding obligation, which are long-term funding provided by these two institutions. This (inaudible) working capital financing lines held at the banks, which are rolled over and refinanced periodically. This first half, we refinance entirely this portion of our indebtedness.

Looking at our amortization schedule, we can notice also that 23% of our debt matured in the second half. In July, we (inaudible) around $80 million for one year; and there is 1.1 billion in trade [ph] finance, of which a portion will be continued to be amortized with our exports revenue. And around 560 million in working capital financing that will be renewed through the support of local and international big banks in this country. We initiated in fact [ph], 100 [ph] million (inaudible) program, which is a flexible program in terms of of currency, number of structures. And size of structures, with the maturing ranging from six months to five years. (inaudible) can be made with the support of various (inaudible) different banks.

We placed the first part of 75 million plus subsequent of 20 million. This was an important major step for us. And it shows real improvement for Braskem over what Trikem and THE OPP and even Copene [ph] has placed in the markets. The response from institutional was positive. And it will be continuing to monitor market conditions for future placement of (inaudible) in this near-term program, that are competitive [ph] to Braskem.

We also would like to mention that, as currently structured, we are structuring several different export and supply financing in local markets and also international markets. And improvement on working capital management. So, it is an ongoing process that we will continue to keep you informed as soon as we get to (inaudible).

On the next slide, Number 15, we have listed some of the trends that we believe. And we do expect, in the petrochemical industry in the future. We have taken some data from Chem Systems [ph], a leading consultant firm in the petrochemical industry, which is in line with other (inaudible) structures Chemi [ph]. The two main parts from this industry search -- of that first, the outlook is positive, based on the fundamentals in the industry; and second point is that the next peak cycle is expected to be one of the best in the past 25 years. This year, 2003, is part (inaudible) the surprises [ph] presented. It is a transition year for the industry. Recovery should be secure [ph] by 2004 or beginning 2005, translating into improvements in profitability over the years. This slide [ph] up period is expected to occur in 2005. Industry research has indicated that the positive [ph] slide up period in 2006 and 2007, in principal, will also present favorable profitability for companies. This is because there will be a limited amount of new capacity coming online during this (inaudible) period.

This means that, over the next four to five years, supply and demand for petrochemicals will not be balanced. And, in 2005, we will be most unbalanced, really [ph], with demand exceeding supply in these (inaudible) up periods. The downturn in this (inaudible) cycle is expected to occur in 2007 and 2008; and (inaudible) is not expected to have a bottom as deep as these past years. The drivers for this positive cycle are basically -- further consolidation in the industry, which you will notice is happening around the globe. Second, more raw material costs and (inaudible) as well as lower recent investment rates by petrochemical companies. Markets is growing around 4%. And supply is growing around 1.5% a year. We are working hard to take advantage of the upside that this scenario brings. And we really have an expectation that the (inaudible) investment structure of $7 million we have just announced for expansion of our polypropylene by 100,000 tons this year will really provide Braskem with good opportunities.

We are also starting similar investments in our PVC business at competitive costs, as well as opportunities to expand polyethylene capacity through innovation and operational adjustments.

Thank you, very much for your time and attention. I would like now to turn the call over to the operator to open for questions and answers.

Questions And Answers

Operator

(Operator Instructions) Anna Jagger [ph] with Chemical News.

Q - Anna Jagger

Good morning. The first question I wanted to ask was, how does Braskem expect to achieve the $1 billion synergies that it announced it plans to get over the next ten years? The second question -- what role does Braskem expect to play in the further restructuring of the Brazilian chemicals industry?

Q - Unidentified Corporate Representative

Okay. First of all, talking about the synergies, Braskem has captured around 240 million out of the 330 million forecasted every year. So, we believe that by the second stage of migration of minority shareholders of Braskem. And also Polialden, which will enable us to go ahead on the capture of synergies. So far, we have captured around 70% of our planned synergies. And we should improve this number throughout 2003. And we believe that as soon as we manage to bring all shareholders to be part of Braskem's social corporate structure, (inaudible) will be fully captured.

(inaudible) answer your second question regarding the restructuring of the petrochemical sector here in Brazil. Braskem is already the leader in the market. Braskem is the biggest petrochemical company in this market in Latin America. We have important investment in poly [ph] chemical [ph] and also in Copa Sul [ph]. Therefore, we do understand that we are probably the principal player within this market. So, we have been discussing, together, with other investors in this petrochemical sector in Brazil, with Petrobas and the government, in order to discuss different possibilities of restructuring of the private sector in this country. So, together with other major groups in Brazil, Braskem has been discussing, with the government and between ourselves with other players, new possibilities of making the supply chain and making the industry more competitive.

Operator

Daniella Guanabarda with Banco Pactual [ph].

Q - Daniella Guanabarda

Good morning, gentlemen. My question is about cost. I would like to have a better understanding of Braskem cost structures. We all know that NAFTA prices went down significantly during the Second Quarter. I want to know why this reduction was not totally reflected over Braskem's costs? And, if there is no lag of time, I wonder if we can expect a margin expansion for the Third Quarter?

A - Paul Altit

First of all, we cannot, unfortunately provide with that information regarding the First Quarter. But you have to understand that NAFTA prices came down (inaudible) to the Second Quarter compared with the Third Quarter. But on the other hand, we had our revenues totally mixed [ph] to national prices. And the currency [ph] in Brazil was much more strong in the Second Quarter than the First Quarter, for sure. We have to comply, also, with the reductions in Real's price. I think it's easy to understand. Our prices are totally linked to dollars because they're totally linked to international prices. When Real gets stronger when compared to dollar, what's really happening in the Second Quarter, we have a decrease, not in dollars. But a decrease in Reals. And also, even with the decrease in the price of NAFTA, this made us the possibility of having the same level of EBITDA, which dropped [ph] $130 million.

Q - Daniella Guanabarda

Thank you.

A - Paul Altit

So we maintained the same level of EBITDA. We had $130 million in the First Quarter and $130 million in the Second Quarter. So we have to comply with not only the volatility in the prices of NAFTA and (inaudible). But also the volatility of the currency. And if you have to realize margins, you have to analyze price of NAFTA, price of resins, look at international prices. And also compare it with the price in Reals. And therefore, you have to conclude what's happened. And the bottom line of this is that we had a decrease in (inaudible) in the Second Quarter compared to First Quarter. But we managed to be much more flexible and export much more. And therefore, maintain the same value of EBITDA in dollars, which was around $130 million.

Q - Daniella Guanabarda

Okay. Thank you.

Operator

Our next question comes from Mr. Alex Muru [ph] with Bear Stearns.

Q - Alex Muru

Hi. Good morning. A quick question on CapEx plans for the end of this year. And going forward into 2004. Could you just give us some sort of guidance of what Braskem can expect to end the year with. And also, Trikem? And then what those numbers will be for 2004?

A - Paul Altit

Okay. Okay, Alex. As I've tried to mention with the slides, our forecast of CapEx for Braskem this year is around R$300 million. As I also mentioned, we do have a contingency plan on top of that, of a number of around 200, R$220 million, which means that, in principal, we should have a good quality second semester. Probably, our CapEx will move up to R$300 million. And if we don't see the Second Quarter -- second semester -- sorry, moving in the correct direction, we should have a principal contingency plan of investing CapEx around 200, R$220 million. In the first semester, we invest around R$70 million in CapEx. The policy fro that is mainly a lot of discipline on the CapEx. And secondly, looking and giving priority for process that will be important for health, security and environmental protection. And secondly, we have a strong priority for -- to generate a return on that present value. So we should -- we have a sort of prioritization on these investments.

Trying to answer 2004, we are not forecasting in 2004 major changes in this forecast for 2003. So basically, as we have announced to the market last week, Braskem's plans are being ramped around 80 to 85%. So we do have a lot of opportunity of doing some bottle-necking [ph] investments and increasing production, therefore, increasing volumes of sales, without demanding any huge amount of CapEx, in order to comply with the demand of the markets. So should GDP next year grow around 3% of this company. And should the correlation of growth of the markets continue being around 3.7 to 4 times the GDP next year, Trikem [ph] could still comply to the demands of the market without demanding material modification on the side of the CapEx.

Regarding, specifically, your question for Trikem -- Trikem invested in the first semester this year around R$23 million.

Q - Alex Muru

Do you have an expectation for what Trikem is going to be ending the year with? And would the same -- would the proportions, I guess, hold, roughly, for Trikem? Do you have 72, I guess, 300 or 72 -- I'm sorry -- you said 20, right, just now? Sorry, you were cutting out there for one second.

A - Paul Altit

Okay.

Q - Alex Muru

You said -- I'm sorry -- Trikem invested in the first semester, 20 million Reals? Is that what you said? Hello?

A - Paul Altit

One-third of that, approximately.

Q - Alex Muru

Okay.

A - Paul Altit

Thank you, Alex.

Q - Alex Muru

Okay, thank you.

Operator

(Operator Instructions) Kyle Zobetki [ph] with Citigroup.

Q - Kyle Zobetki

Hello, Paul. My question is -- what will happen with those vendor [ph] finance expenses recorded at this quarter from now on?

A - Paul Altit

Would you please repeat your question, please?

Q - Kyle Zobetki

Sure. My question is -- what will happen with those vendor finance expenses recorded at this quarter from now on for the next few months -- the next semester?

A - Paul Altit

Sure. Thank you, Kyle. Well, the vendor finance, we have vendor finance basically provided by Petrobas. And also by Copa Sul. We buy (inaudible) from Copa Sul while you buy NAFTA from Petrobas. We buy approximately -- acquire approximately 60% to 70% of our NAFTA from Petrobas. We doing (inaudible) around 30% of our NAFTA to 40%. And we purchased, for our plants in the southern part of the country, (inaudible) for petrochemical sensors [ph], (inaudible) from Copa Sul. So, we have a vendor with Copa Sul of around 84 -- 80 to 84 days. So, we pay interest on this period of payment. This is also the same condition that other shareholders of Copa Sul have, such as other petrochemicals -- major petrochemical groups. And we pay, also, interest on the Petrobas period payments. Petrobas, we have something around 50 days average period of payments for NAFTA with Petrobas. So in principal, we should be paying the same amount of -- the same value of interest for vendor in the second semester (inaudible). For sure, the interest rates come down in Brazil, for sure, interest vendor [ph] also should come down the same percentage.

Q - Kyle Zobetki

Okay. Thank you.

A - Paul Altit

Thank you, Kyle.

Operator

(Operator Instructions) This concludes today's question and answer session. Mr. Paul Altit, at this time, you may proceed with your closing statements.

A - Paul Altit

Well, I'd like, first of all, to thank you very much for joining us once again on our quarterly conference call. And we have been mentioning, many times before, that we are totally focused on providing transparent and reliable information to the financial market. We are really, very much, aware of the importance of credibility and visibility of our earnings reporting. And we have been making a lot of effort. And putting a lot of effort and truth [ph] in this area every quarter. We are also working a lot to ensure that Braskem becomes really a (inaudible) and an area of the value creation and corporate governance. And, it is our goal to make Braskem one of the most attractive companies in the Capital Markets. Achieving this objective is really fundamental to the growth of Braskem as a leader in the region. So, thank you, very much. Should you have any further questions, please just phone us or send us an e-mail.

Operator

That does conclude our Braskem conference for today. Thank you, very much for your participation. You may now disconnect.

(CONFERENCE CALL CONCLUDED)