S&P Capital IQ

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Mercury General Corporation NYSE:MCY

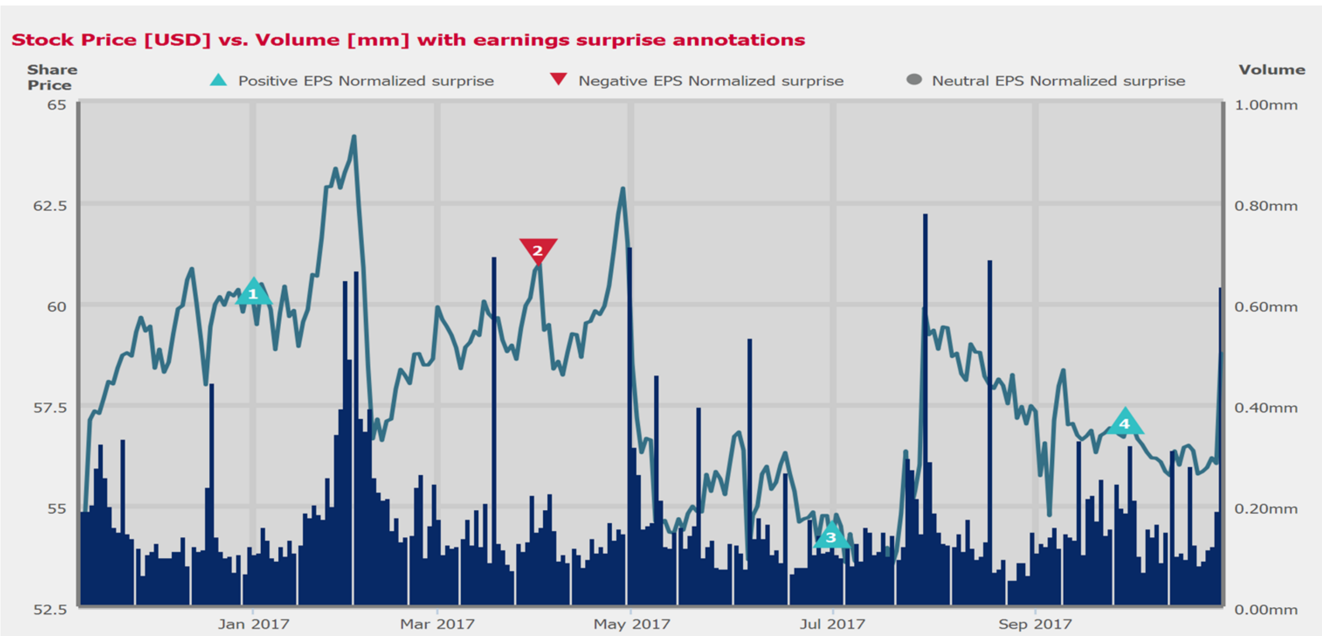
FQ4 2017 Earnings Call Transcripts

Monday, February 05, 2018 6:00 PM GMT

S&P Capital IQ Estimates

	-FQ4 2017-			-FQ1 2018-	-FY 2017-	
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL
EPS Normalized	0.33	0.15	(54.55 %)	0.62	1.82	1.64
Revenue (mm)	-	-	-	847.35	3228.00	3215.91

Currency: USD
Consensus as of Jan-22-2018 8:25 AM GMT



	- EPS NORMALIZED -		
	CONSENSUS	ACTUAL	SURPRISE
FQ4 2016	0.51	0.58	13.73 %
FQ1 2017	0.54	0.20	(63.64 %)
FQ2 2017	0.50	0.68	36.00 %
FQ3 2017	0.52	0.60	15.38 %

Call Participants

EXECUTIVES

Christopher Graves
Chief Investment Officer and Vice President

Gabriel Tirador
Chief Executive Officer, President and Director

Robert Houlihan
Chief Product Officer and Vice President

Theodore R. Stalick
Senior VP & CFO

ANALYSTS

Alison Marnie Jacobowitz
BofA Merrill Lynch, Research Division

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Gary Kent Ransom
Dowling & Partners Securities, LLC

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Samir Khare
Capital Returns Management, LLC

Presentation

Operator

Good afternoon. My name is James, and I will be your conference operator today. At this time, I would like to welcome everyone to the Mercury General Fourth Quarter Conference Call. [Operator Instructions] This conference call may contain comments and forward-looking statements based on current plans, expectations, events and financial and industry trends, which may affect Mercury General's future operating results and financial position. Such statements involve risks and uncertainties, which cannot be predicted or quantified and which may cause future activities and results of operations to differ materially from those discussed here today.

I would now like to turn the call over to Mr. Gabriel Tirador. Sir, please go ahead.

Gabriel Tirador
Chief Executive Officer, President and Director

Thank you very much. I would like to welcome everyone to Mercury's Fourth Quarter Conference Call. I'm Gabe Tirador, President and CEO. In the room with me is, Mr. George Joseph, Chairman; Ted Stalick, Senior Vice President and CFO; Robert Houlihan, Vice President and Chief Product Officer; and Chris Graves, Vice President and Chief Investment Officer. Before we take questions, we will make a few comments regarding the quarter.

Our fourth quarter operating earnings were $0.15 per share compared to $0.58 per share in the fourth quarter of 2016. The deterioration in operating earnings was primarily due to an increase in catastrophe losses and unfavorable reserve development, partially offset by a $0.13 benefit from tax adjustments, due to the new federal tax law. The combined ratio in the quarter was 104.5% in the fourth quarter of 2017 compared to 99.2% in the fourth quarter of 2016.

The combined ratio was negatively impacted by $20 million of net catastrophe losses, due to California wildfires, plus $3 million of reinsurance reinstatement premiums earned. This compares to only $4 million of catastrophe losses in the fourth quarter of 2016.

In addition, we recorded $36 million of unfavorable prior accident year reserve development in the fourth quarter of 2017 compared to $16 million of unfavorable prior accident year reserve development in the fourth quarter of 2016. Adverse legal outcomes from 2 large claims from accident periods prior to 2013 accounted for $10 million of the $36 million of unfavorable reserve development in the quarter. Excluding the impact of catastrophe losses, unfavorable reserve development and ceded reinstatement premiums earned, the combined ratio was 97.2% in the fourth quarter of 2017 compared to 96.6% in the fourth quarter of 2016.

The unfavorable reserve development in the quarter came primarily from the bodily injury line of coverage on our California Auto lines of business. The company uses historical loss development patterns for estimating ultimate losses. Over the past few years, actual case reserve and paid loss development have tended to exceed the company's historical loss development patterns. At year-end 2017, the company has factored this tendency into the company's ultimate loss selections.

During 2017, our gross loss and loss adjustment expenses reserves for current and prior accident years, excluding reserves for catastrophes increased by $162 million to $1.45 billion at December 31, 2017. The reserves established by the company represent our best estimate of the ultimate cost of losses and loss adjustment expenses incurred to-date. However, since the provisions are necessarily based upon estimates, the ultimate liability may be more or less than such provisions.

The expense ratio was 23.4% in the fourth quarter compared to 24.9% in the fourth quarter of 2016.

The lower expense ratio was primarily due to a decrease in acquisition costs, cost efficiency savings and lower profitability-related accruals. To help offset increasing loss trends, we have been increasing rates in most states. In California, a 5% personal auto rate increase in Mercury Insurance Company is going into effect in March. In addition, a 6.9% rate increase for California Automobile Insurance Company is pending approval with the Department of Insurance. Personal auto premiums in Mercury Insurance Company represents about half of our direct company-wide premiums earned and California Automobile Insurance Company represents about 14% of our direct company-wide premiums earned.

Premiums written excluding ceded reinstatement premiums grew 3% in the quarter, primarily due to higher average premiums per policy. Company-wide private passenger auto new business applications submitted to the company decreased approximately 1% in the quarter. Company-wide homeowners applications increased 10% in the quarter.
With that brief background, we will now take questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Greg Peters from Raymond James.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

So let's just go through a couple of the points in your press release, in your comments on the reserve development. I appreciate your prepared remarks. And I was looking for more color, specifically, was -- talk to me about the process for the year-end reserve charge and should we presume that you changed the factor so therefore what's affected you in the last couple of years shouldn't affect you in future years? Or just, sort of, walk me through the methodology there, please.

Theodore R. Stalick
Senior VP & CFO

Greg, this is Ted. We have a quarterly methodology and that incorporates trends that are developing based on the historical data. And as we look at the data, we start to see more emergence coming through than was expected. And you incorporate that into your current analysis and so what we have been doing over the past couple of years is factoring that into our analysis each quarter. At year-end, we took the position that our trends have -- our development trends have consistently been exceeding our expected incurreds and therefore, we expect that to continue. So we factored that into our ultimate fix for year-end.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

So just to clarify on that one point. Should we presume that you've, sort of, raised the bar, if you will, for future expectations or recast...

Gabriel Tirador
Chief Executive Officer, President and Director

I would characterize it as we've taken the more recent development factors and weighted those more heavily. That doesn't mean that it can't -- they can't be larger than the most recent development factors. But all we're saying is that, look, we're not taking an average of longer period of time. We've weighted much more, the more recent development factors to project our loss reserves this time. That doesn't mean that those factors can't be even higher than the more recent development factors.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Right but did the tax considerations of looking at your reserves come into play? I would assume this is a more cautious posture you've adopted and was that -- was tax part of your calculus there?

Theodore R. Stalick
Senior VP & CFO

We don't consider tax in our analysis. It -- we try to make the best estimate based on the data we have available. And as Gabe mentioned, as we've seen expected development exceed -- oh I'm sorry, actual development exceed expected development, we felt like putting more weight in the recent factors was the prudent thing to do.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Right, right. Okay, great. So a number of other questions, but let's segue into 2017 was a busy catastrophe year for the industry and for Mercury. And obviously, you highlighted the reinstatement premium that flowed through your fourth quarter results. And I'm curious what your perspective is about reinsurance costs for 2018 in the context of the 2017 performance. And if there's going to be any change in your catastrophe retention on the quarterly basis, et cetera.

Gabriel Tirador
Chief Executive Officer, President and Director

Well, first of all, our cat reinsurance treaty expires on July 1, that's when it renews. We think that even after the large cat loss season, there still remains a lot of capacity in the reinsurance market. We are expecting pricing to go up on July 1, as we know. But we do believe at this time, that the increases are going to be muted based on the abundance of capacity in the market. So it's early to tell. As I mentioned July 1, the closer we get to July 1, we'll know. We have built into our estimates a slight increase in our reinsurance cost, but we're going to have to wait until we get closer to our July 1 date.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

I appreciate that color. And at this point, you don't want to have any comment about what the retention might be for events either or it's the...

Gabriel Tirador
Chief Executive Officer, President and Director

I anticipate our retention to remain the same, that I knew -- our retention, as we know, was at $100 million prior to July 1 of '17. And we've lowered that retention to $10 million on July 1. And my expectation, right now, as we sit here today is for that retention to remain at $10 million.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

So the $10 million retention is a per-event retention?

Gabriel Tirador
Chief Executive Officer, President and Director

Yes.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Okay. I guess, you comment a little bit about business or production statistics in the fourth quarter. And I know some of your new business trends have been challenging in 2017 versus 2016. Do you think new business counts will be up in 2017 and can you -- I guess, you got to go through, it looks like homeowners is doing fine, but go through both California and non-California business?

Gabriel Tirador
Chief Executive Officer, President and Director

Well, our California business growth in the fourth quarter was like 4%. And outside of California -- and this is for private passenger auto. And we had 13% growth in application counts in homeowners in California. Now outside of California, the app count for private passenger auto was down, like, 17% and homeowners down about 8%, so that resulted in overall PPA applications relatively flat down 1% for PPA, private passenger auto, and up about 10% for our homeowners lines of business. But I will say that it's improving from the previous quarter. If you take a look at our year-to-date numbers, in California, they grew 2% for the year, but they were -- as I mentioned, up 4% in the fourth quarter. Outside of California, they were down the whole year 28% and are down 17% in fourth quarter. So the application count continues to improve as other competitors take rate increases. My anticipation, right now, is that when you take a look at our top line growth, you'll -- we're expecting low-single-digit top line growth in both California and outside California.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Okay. So another area that you've commented on the past is advertising spend. And I know you go through your year-end budgeting process. And maybe you could talk about what the total advertising spend was in '17 versus your original intentions and how it compares to '16 and what you're thinking for 2018?

Gabriel Tirador
Chief Executive Officer, President and Director

In '17, our total advertising expense was about $37 million that compares to about $40 million that was in '16 and our anticipation for '18, right around $40 million.

Operator

[Operator Instructions] Your next question comes from the line of Alison Jacobowitz from Bank of America.

Alison Marnie Jacobowitz
BofA Merrill Lynch, Research Division

Sorry, if I missed it, was there any current year development in the fourth quarter in the reserve change or in the losses rather?

Theodore R. Stalick
Senior VP & CFO

Alison, we really look at our reserves on a year-to-date basis. So we don't disclose or consider current year development within current accident quarter.

Operator

And your next question comes from the line of Gary Ransom from Dowling & Partners.

Gary Kent Ransom
Dowling & Partners Securities, LLC

I wanted to ask about taxes a little bit. And I was wondering in the, first of all, the approval that you just got for rates in California for 5%. Did you have to refile with the 21% tax rate for that approval?

Gabriel Tirador
Chief Executive Officer, President and Director

No.

Gary Kent Ransom
Dowling & Partners Securities, LLC

No. So you got to sit with the 35%. Is it -- is the pending one that's for the 6.9%? Do you have to refile that one with the 21%?

Gabriel Tirador
Chief Executive Officer, President and Director

That's filing has been made. When was that filing made, Robert?

Robert Houlihan
Chief Product Officer and Vice President

Months back.

Gabriel Tirador
Chief Executive Officer, President and Director

Yes. We don't anticipate having to make any changes to it.

Gary Kent Ransom

Dowling & Partners Securities, LLC

Okay. Well, obviously, Commissioner Jones has made a lot of noise on this point. So I just wondered, what you -- what your overall opinion or thinking about that is. Does it matter? Is it important to you in the long run?

Gabriel Tirador
Chief Executive Officer, President and Director

Yes. Let -- Robert, why don't you address that?

Robert Houlihan
Chief Product Officer and Vice President

Sure. Well, in California, the rates are determined by return on surplus formula, and the formula is based on an after-tax return. But it's important to note, the formula doesn't yield one number, it yields a minimum, a max or a range. So the range will be shifted downward slightly by the change in tax laws. But we've gone back and we've looked at all of our filings both in MIC and Cal Auto over the last several years and both the requested rate and our approved rates on all those filings would still be within that range, even after adjusting for the lower tax rates.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Great. Do you have a rough estimate of what that shift is at the top and bottom? How much does it shift at the top and bottom of that range?

Robert Houlihan
Chief Product Officer and Vice President

It varies depending on circumstances. As we look at direct filings, it was -- it can alter from filing to filing.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Right, okay. And then another one on the tax theme. You have a lot of munis. Under a 21% rate, the corporates may be more attractive. I wondered if you could tell us anything you have about your thinking on change in investment strategy with the new tax law?

Christopher Graves
Chief Investment Officer and Vice President

Gary, this is Chris. So one of the main drivers to my investment decision process has always been after-tax income yield, that calculation levels the playing field. So the new tax law would apply to investment income, for its winners, no real losers at least to my universe. And there is net neutral recipients, and net neutral is applied to tax-exempt income. Insurance companies are taxed on tax-exempt income, albeit at a low rate. So the new tax law does change -- excuse me, does not change our after-tax investment income there. Consequently, we still retain about $0.95 of every $1. The winners from the new tax law are taxable income sources like corporate bonds and dividend. Holders of taxable income sources now enjoy earning higher taxes yield from the reduction from 35% to 21%. So that means to us that we pick up about $0.14 more in taxable income. Dividends net us about $0.01 more. So our investment mix will clearly change due to the new tax law. Municipal bonds, still makes sense however, though many more taxable asset classes are attractive because of tax rate. So I'm adding more taxable income, but I'll have more to share on that at the next conference call.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Okay. Is it a reasonable assumption that if you're making changes, it would be more related to cash flows of new money, as opposed to making any wholesale turnover or sales of current investments?

Christopher Graves
Chief Investment Officer and Vice President

I would say, in general, it's going to be new money. But certainly, swaps within the portfolio say from and I mean -- I guess, the natural expectation would be to shift from tax-exempt to taxable. That really depends on what I'm looking once I do the after-tax yield calculations. And take for example, rating and duration and other factors into account.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Okay. Just changing gears a little bit. I wanted to go a little bit more into the loss trends. You're talking about BI severity being an issue. I mean, we see it in the adverse development. But is there something you're seeing currently that's causing those trends to move higher?

Gabriel Tirador
Chief Executive Officer, President and Director

I would just say, medical inflation in my view is just seeing a lot more aggressive plaintiffs bar, a lot more referrals to doctors, lot more people willing to go under the knife and get MRIs and just the environment. And it's been like that for a little bit. But just a more aggressive plaintiff bar in my opinion, at least from what I see, in the claims that I see. And you have medical inflation as well.

Gary Kent Ransom
Dowling & Partners Securities, LLC

I may be doing this from memory, but I feel like the California Fast Track numbers showed the BI severity was the only trend that wasn't getting any better. It looked like frequency was getting better, even in property damage things were generally either leveling off or getting better. Is that consistent with what you're seeing in your book of business?

Gabriel Tirador
Chief Executive Officer, President and Director

Well, I think in Fast Track, the latest quarter actually was a little bit better than it had been. There was a time there where it was double-digit increases in severity as my recollection in Fast Track. And in this latest quarter, which there is a lag in Fast Track. Was a little bit better. We are recording in the -- I think in the mid-single-digit pure premium increase, Ted, is that about right?

Theodore R. Stalick
Senior VP & CFO

6-ish.

Gabriel Tirador
Chief Executive Officer, President and Director

6-ish -- and that includes the development that we basically booked this quarter. So we take a look at it from an ultimate accident year basis. And we're booking about mid-single digits severity increases.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Okay, that's helpful. One last subject, just on reinsurance. Just a follow-up on that. Do you have a full third limit available now after the 2 events penetrated the cover?

Theodore R. Stalick
Senior VP & CFO

So we reinstated after the major Northern Cal fires we reinstated about full limit. On the second event, which was the Southern California fires, we used up -- it was $25 million event, we used up $15 million of that limit. There was not a reinstatement available for that $15 million. So if there is a third event, our retention will be at the $25 million. And then we'll have coverage above the $25 million.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Right, okay. Although, hopefully the wildfire season is over by now.

Gabriel Tirador
Chief Executive Officer, President and Director

Yes.

Theodore R. Stalick
Senior VP & CFO

Yes.

Operator

Your next question comes from the line of Samir Khare from Capital Returns Management.

Samir Khare
Capital Returns Management, LLC

I just wanted to ask about your reserves. You currently booked loss reserve estimate, how does that compare to your others actuarial midpoint of the reserves? And what was that metric last year?

Theodore R. Stalick
Senior VP & CFO

Our actuaries don't come up with the range. Usually we come up with the point estimate. And we book our point estimate.

Samir Khare
Capital Returns Management, LLC

Okay. And that was same as last year?

Theodore R. Stalick
Senior VP & CFO

Yes. We came up with a point estimate last year, which we booked and a point estimate this year, which we booked.

Samir Khare
Capital Returns Management, LLC

Okay. And then just on auto. When considering loss trend, how many compounded rate increases you think you need to get to rate adequacy? And if you can speak to, I guess, the dynamic at the Department of Insurance, is there still a backlog? Is that backlog -- is the length of time before filings get approved, is that shortening?

Gabriel Tirador
Chief Executive Officer, President and Director

Yes, I think, some of that depends on what the loss trends end up being. Our most recent filing that we just got approved, 5% for MIC. I think, we believe gets us in a pretty good shape, Robert, for Mercury Insurance Company?

Robert Houlihan
Chief Product Officer and Vice President

That's correct.

Gabriel Tirador
Chief Executive Officer, President and Director

In Cal Auto, which had a 6, 9, pending gets us close as well. We may need 1 more Cal Auto possibly. As far as the time line for rate approvals, Robert, do you want to comment on that?

Robert Houlihan
Chief Product Officer and Vice President

It's taking about the same amount of time in the past. I mean, it's just a slow process in California. We don't see any delays from a backlog, certainly at this point.

Gabriel Tirador
Chief Executive Officer, President and Director

Yes, I mean, I think, our MIC filing maybe took, I don't know, 9 months ballpark-ish. Is that about right?

Robert Houlihan
Chief Product Officer and Vice President

Approximately, yes.

Operator

Your next question comes from the line of Greg Peters from Raymond James.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Just 2 points of clarification or actually one. For what you report in your GAAP financials for the tax expense, is that just the federal component? Or do you include premium state -- premium taxes, state income tax and premium tax in that GAAP tax expense?

Theodore R. Stalick
Senior VP & CFO

It includes state income tax, but premium taxes are in our acquisition cost.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Okay, I'm glad I asked that question then. And then another question was regarding -- and I know Chris you started to talk a little bit about changing pieces of the puzzle for investment portfolio. But I did notice that you've -- the company harvested a lot of realized gains in 2017. And a big chunk of that was done prior to the tax law being passed. So I'm just curious, what was the perspective, the mindset going into that? And is that something that we should expect in 2018?

Christopher Graves
Chief Investment Officer and Vice President

So Greg, we mark-to-market the whole portfolio. So it's FASB 157 (sic) [159], correct me, if I'm wrong?

Robert Houlihan
Chief Product Officer and Vice President

159.

Christopher Graves
Chief Investment Officer and Vice President

159. So what you see is a net of market change and of realized gains and losses. We actually took tax losses in the year because we had capital gains to offset from prior periods. We've now, from a tax perspective, positioned ourselves where it's more advantageous to take gains in 2018. So if this market holds up, I'll be able to do that. But everything you are seeing, for the most part, is just portfolio market value changes.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

I appreciate it. And then I just wanted to close out with just an opportunity for you guys to talk a little bit about -- and I know you answered this in pieces, parts of some of the earlier questions. But just about the -- your non-California approach to growing your footprint, growing your business, what states do you think in 2018 will be the biggest growth opportunities for you and conversely, which states outside of California will probably be shrinking the most? And any sort of color around your posture outside of California, additional color is appreciated.

Gabriel Tirador
Chief Executive Officer, President and Director

Well, I mean, I think I mentioned earlier that our anticipation is that outside of California, we're going to probably grow in the low-single-digit range. As far individual states go, Robert, do you have any color on that, that you want to share?

Robert Houlihan
Chief Product Officer and Vice President

I think one state we're starting to see some turnaround in regards to applications is Texas. We clearly took a lot of rate there. We took it earlier than other competitors and over the course of the last 3 to 6 months, we've seen a lot of large rate increases by other carriers, which has helped boost our new business production in that state.

Gabriel Tirador
Chief Executive Officer, President and Director

Yes, and I think Florida, we're anticipating a little bit of growth in Florida. I don't think that there is any state really that we're anticipating significant growth in and other states that we're anticipating significant declines in. Our 2 biggest states, which is Florida and Texas, I think we're anticipating some small growth in those states.

Operator

Your next question comes from the line of Alison Jacobowitz from Bank of America Merrill Lynch.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

You can tell by the voice it's not Alison, it's actually Jay Cohen. Just a couple of follow-up questions. When you talk about these price increases, relative to claims trends, they don't seem to be exceeding that much, in other words kind of mid-single-digit increases. Chasing mid-single-digit severity increases. I know that's simplistic. Are you taking other underwriting actions to try to improve that loss ratio?

Gabriel Tirador
Chief Executive Officer, President and Director

Well, yes, we have a lot of internal initiatives to try to improve our claims adjustment process to try to mitigate any leakage. Yes, I mean, there is quite a few initiatives in the claims area that the company has ongoing to try to mitigate leakage from that standpoint. You're right that depending on what happens with future claims inflation, if we're taking a 5% rate increase and you have 5% increase in severity, you're going to pretty much hold the water. If the claims inflation comes in lower, you're going to do a little bit better. For the year, when you back out our large catastrophe losses and also the development, we are running at about 97-or-so percent combined ratio company-wide. Robert, do you have any other color you want to add to that?

Robert Houlihan
Chief Product Officer and Vice President

No, I think there's also been some tightening at point of sales underwriting and agency management as well that helped to offset some losses.

Gabriel Tirador
Chief Executive Officer, President and Director

Yes, that's a good point. We also have some other underwriting actions that we've been taking to help the loss ratio.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Got it. That's helpful. The other question on the fourth quarter overhead, you suggested that essentially bonus accruals were down, not surprisingly given the profitability. Can you quantify that, how much that helped your expenses in the quarter?

Gabriel Tirador
Chief Executive Officer, President and Director

Well, I think maybe, we're better off just talking about where we think the expense ratio will be in 2018. Ted, why don't you?

Theodore R. Stalick
Senior VP & CFO

Sure. So you know that we have seasonality in our expense ratio. Our ad spend is heavily weighted to Q1 and Q3, and then Q4 is our lowest ad spend. For next year, we think the expense ratio will be slightly higher than the 24.7 that we posted for all of 2017. Part of that is we are expecting to be able to accrue a higher amount for employee incentive plans next year.

Gabriel Tirador
Chief Executive Officer, President and Director

And keep in mind too the employee incentive plans hit both the LAE ratio and the expense ratio. Half of our employees are claims. So when we're talking about bonus accruals and the expense ratio, we're just talking about the portion that hits the expense ratio. The majority of it probably hits the LAE ratio or a big chunk of it.

Theodore R. Stalick
Senior VP & CFO

Half of it.

Gabriel Tirador
Chief Executive Officer, President and Director

Half of it, probably.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

So your loss ratio was aided a little bit by lower bonus accruals as well?

Gabriel Tirador
Chief Executive Officer, President and Director

Yes.

Operator

And there are no further questions at this time. I turn the callback over to our presenters.

Gabriel Tirador
Chief Executive Officer, President and Director

Well, I'd like to thank everyone for joining us this quarter, and we look forward to talking to you next quarter. Thank you very much.

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