S&P Global
Market Intelligence

Swiss Re AG SWX:SREN

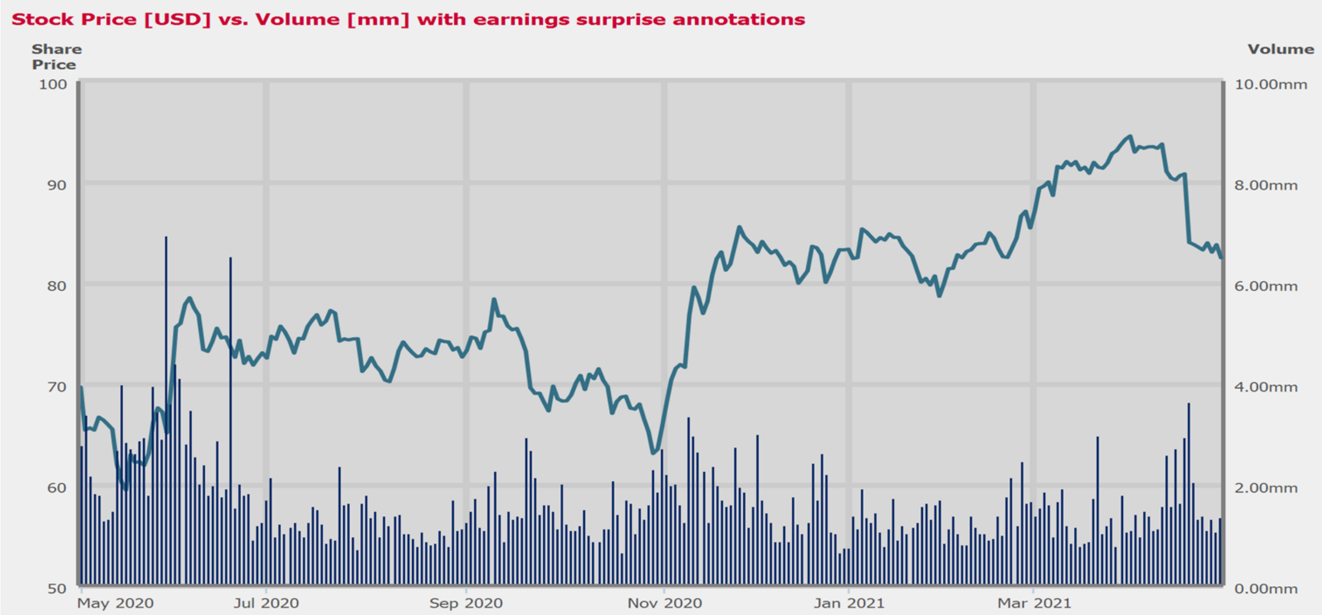
FQ1 2021 Earnings Call Transcripts

Friday, April 30, 2021 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2021-			-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS
EPS Normalized	NA	NA	NA	7.15	NA
Revenue (mm)	9206.00	10212.00	▲10.93	40486.98	NA

Currency: USD
Consensus as of Apr-30-2021 12:42 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2020	NA	NA	NA
FQ1 2021	NA	NA	NA

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Group Chief Financial Officer

Thierry Leger

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JPMorgan Chase & Co, Research Division

Emanuele Musio
Morgan Stanley, Research Division

Iain Pearce
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Kamran Hossain
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Vinit Malhotra
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UBS Investment Bank, Research Division

Presentation

Operator

Good morning or good afternoon. Welcome to Swiss Re's First Quarter 2021 Conference Call. Please note that today's conference call is being recorded. At this time, I would like to turn the conference over to John Dacey, Group CFO. Please go ahead.

John Robert Dacey
Group Chief Financial Officer

Thank you, and good morning or good afternoon to everyone on the line. I'm here today with Thierry Leger, our Chief Underwriting Officer; and Thomas Bohun, our Head of Investor Relations.

As usual, I'll start with a brief overview of the key figures we published this morning.

Swiss Re had a strong start to 2021 with the first quarter net income of $333 million. This resilient result has to be seen in the context of a quarter that sadly witnessed the highest pandemic death toll to date in our 2 largest Life & Health markets, the United States and the U.K. Excluding COVID-related losses, the group achieved a net income of $843 million.

P&C Reinsurance reported a net income of $477 million, benefiting from significantly -- benefiting significantly from underwriting discipline and the continued price improvement in the book. The business segment was affected by large natural catastrophes of $316 million, primarily due to the U.S. winter storms in February. We believe that the recent portfolio actions taken on secondary perils, in particular, helped us to reduce these impacts. The reported combined ratio was 96.5%, and we are well on track to achieve our normalized combined ratio estimate of less than 95% for the year.

Life & Health Reinsurance endured significant COVID losses of $570 million, driven by peak COVID deaths in the United States and the U.K. as well as some other countries. Excluding COVID-19, the underlying business performed very strongly, with an ROE of 16.8%.

Corporate Solutions reported a net income of $96 million, a result of successful turnaround which has been achieved. The reported combined ratio was 96%, and we are on track here to meet our estimate of below 97% for the year.

Within group items, iptiQ continued its strong track record of growth, with gross premiums written in the core business up 150% versus the same period last year. The group reported a strong return on investments of 3.5% for the first 3 months of 2021, driven largely by recurring income and supplemented by gains on equities in the course of the valuation of close for the first quarter.

As for the April reinsurance renewals, we're pleased with the outcomes achieved. We saw overall volume growth, supported by transactions of 20%, while nominal prices increased by 4%, more than offsetting the slightly lower interest rates and the higher loss assumptions in some of the sub portfolios. Our year-to-date premiums renewed are now down 3% versus last year, and we continue to seek out attractive opportunities, which meet our profitability requirements. Overall, we're pleased with the performance of our businesses this quarter, and particularly the strong profitability in P&C. We're also encouraged by the rapidly diminishing impact from COVID-19 on both our P&C and most recently in the current quarter on our Life & Health business with respect to the largest markets.

With that, I hand it over to Thomas, who will take us through the Q&A.

Thomas Bohun
Head of Investor Relations

Thank you, John, and hi to you all from my side. [Operator Instructions]
With that, could we take the first question, please, operator?

Question and Answer

Operator

The first question comes from the line of Andrew Ritchie with Autonomous.

Andrew James Ritchie
Autonomous Research LLP

First question, John, you benefited a lot from the underwriting actions in the quarter. I'm guessing that would be particularly your reduction of aggregate reinsurance exposure. I don't know -- one, could you give us sort of a counterfactual what you think your current losses would have been had you not taken that action? Or if you can't give us that, just remind us what remaining work there is to do on reducing that exposure?

I guess I'm just trying to understand some of those contracts have seen deductibles used up in the quarter because of Texas losses and therefore could be more on risk as we go into wind season. And I'm not sure what your remaining exposure is there in that and then how comfortable you are? How much more work you still have to do on that?

The second question, is this now -- you're sounding you're clear on P&C COVID losses, as in we should forget the guidance of up to $500 million, which you gave at the full year?

John Robert Dacey
Group Chief Financial Officer

So Andrew, I'll take -- maybe frame the question a little bit, if I can, and then probably turn it over to Thierry, our Chief Underwriting Officer, who can help with more details.

With respect to the underwriting, especially at January 1, where we said we reduced the aggregates, we also were looking to reduce our exposure more broadly to what we referred to as secondary perils by, among other things, increasing the attachment point for our covers in excess of loss. And so this combination, I think, has helped us. That's the first thing.

The second thing is our overall view for the industry loss and the winter storms in the U.S., Texas, in particular, on Uri, are $13 billion, which might be a little smaller than some of the other players. Equally, in New South Wales, our view of the industry loss there probably is more contained than what you might see otherwise. And so what we've booked for those storms ended up being a fairly minor amount compared to what the pictures coming out of Australia in the days where the flooding occurred and might have indicated. But Thierry, maybe you can help with some color.

Thierry Leger

Just to build on what you just said, John, so it's absolutely factual. I would just not be so specific with regard to aggregate excels. They were part of the reduction that we have been targeting. But the real target were secondary perils, as John pointed out, and anything too close to the frequency. So we also targeted very low layers, for example, and proportional business, what we call drop-down layers and so on. So it was a broader target that we had.

You also asked what's remaining, right? And obviously, there's always something to do in a portfolio to make it better. But given that we didn't just start on 1/1 this year, but we did some strong work already last year, my expectation is that the big work is done by this point in time.

John Robert Dacey
Group Chief Financial Officer

And maybe, Andrew, on your second question with respect to the P&C COVID losses, yes, the first quarter P&C losses were probably below where we might have expected them. I don't think that means that we're all clear for the rest of the year. We think -- there may be some event cancellation charges, which still come through. There may be some, in certain geographies, some credit and surety losses otherwise popping up.

What we feel comfortable about is that, at least with everything we know, we believe our BI portfolio on property is well reserved. We maintain IBNRs for both property and for casualty in the P&C Re business above 80%. So we'll continue to work with our primary clients to sort out what the actual losses really are there and book them accordingly. But I wouldn't say that there's nothing coming on P&C Re. I think we're probably a little more optimistic today than we might have been 3 months ago.

Operator

The next question comes from the line of Kamran Hossain with RBC.

Kamran Hossain
RBC Capital Markets, Research Division

I mean, just following on from Andrew's question about the, I guess, COVID and the all clear on the P&C side. Let me ask it in a slightly different way. Is it reasonable to assume that more than half the losses would have happened in kind of Q1 or a large proportion of the $500 million you had kind of flagging for P&C would have happened in Q1, therefore, it's unlikely that you do hit $0.5 billion for the year? So that's the first question.

And the second question is just on, I guess, the life reinsurance business. Clearly, the picture in the U.S. and the U.K. was dire in Q1, but seems to be getting a lot better. Once those issues really go away, once death slow down, I guess they have, do we stop worrying about COVID as an issue for the life business? Or is there something that could surprise us elsewhere? Any thoughts on that would be really helpful.

John Robert Dacey
Group Chief Financial Officer

Thanks. So maybe I'll take a shot here. And again, Thierry can come in. With respect to the P&C, yes, I think there is some reasonable expectation of attrition during the course of 2021. The numbers we gave, which was less than $500 million across the lines of business, was for the full year. We suggested that most of the exposure was probably in the first half on event cancellation, in particular, doesn't exclude the possibility of something popping up. But again, I think we're feeling better about the exposures and the likelihood of the losses now than we were at the beginning of the first quarter.

I know you're looking for more precision. I think we could probably provide something at the midyear results, where full half of the year is clear and we might have a better line of sight, frankly, on some of the other reserving positions, on property in particular.

With respect to Life & Health, you're exactly right. The curve has been bending down hard in the U.K. first and more recently in the U.S. on actual desk. There, if you look month by month, December was the worst month for average daily death related to COVID in the United States for all of 2020. January was worse than that. February was still very, very bad. And March started to see some improvements. And here in April, we're now down to less than 1,000 daily deaths in the United States and trending lower.

The vaccination efforts clearly are being rolled out and being effective in reducing deaths and the overloads that you saw in those Q1 months with respect to hospitals and health systems more broadly.

So I think this will come down. It's not going to go to 0. There will be a continuation of COVID-related deaths in the United States for some period of time as the vaccines reach some equilibrium level of the people that want it, got it, but some people just are not going to. So I don't expect it to be 0, but I think you should expect some time towards the end of this year that we'll stop talking about it as a separate event, assuming we continue the current path and that there are no new variants which are overwhelming the current vaccination efforts. Thierry, I don't know if there's anything?

Thierry Leger

No, nothing to add. I think you said it very precisely with regard to the Life & Health COVID that December was rather worse than we were expecting. March was rather better. And right now, U.K. and U.S., because of the vaccination efforts, are actually rather positive for us. But -- and those are 2 countries where we have major exposures, obviously. But it's far too soon to make predictions at this point in time.

Operator

The next question comes from the line of Will Hardcastle from UBS.

William Fraser Hardcastle
UBS Investment Bank, Research Division

Can we get a bit more color perhaps on how the net written premiums have developed at this stage? You mentioned at the full year you're looking at using more retro. So should we expect the reduction at the net level to be a bit worse, I guess, than the 3% year-to-date on the gross level? And should we expect to see any more material volume reductions at later in your -- like January? Or is April more of the one that we should run off going forward as a baseline?

And then perhaps thinking about April renewals, can we get a bit more color on what made up that growth, which lines, which countries? And how much of it was the regular premium? I think you mentioned just then that there was the odd one-off transaction, perhaps just trying to -- first, to get a run rate on regular volume growth within that would be great.

John Robert Dacey
Group Chief Financial Officer

Sure, So I'll ask Thierry to start on these, and I'll jump in if there's anything that comes to mind.

Thierry Leger

Okay. So let me start with the net written premium question. So as you could see, right, the prediction is not easy to make on the premium side, but to assume that we will hedge considerably more is not our assumption. And if we do, it's not going to have a major impact on the premium anyway. So -- but of course, we will be opportunistic. If there are opportunities to protect volatility at the right price, we will do. But again, it will not have a strong impact on the net premium development.

Regarding the April renewals, so there were already the 2 elements that we have emphasized already over the last month. So we said that January renewals have been down, but we haven't done as many large transactions as we would have done the other years, but we also said we would expect large transactions to come our way at some point. And so we had some of those now coming through, and we were pleased about those. And we think it's a good -- there have been good opportunities for us to put capital at work. So the margins are very satisfactory.

On the nontransactional, let's call it, core business, we actually had a very good renewal on the volume side and the margin side. We've been building, in particular in Japan, on a very strong renewal a year ago and have been able to improve the portfolio further in terms of margin, but also the mix of business also there. We have done a bit of work around our exposures to secondary perils and low frequencies. So a very, very satisfactory renewal.

John Robert Dacey
Group Chief Financial Officer

Yes. And one of your specific questions on geography, what I can say is that, while the April renewals is dominated by Japan, we did see some opportunity to also book some important premiums in the United States in this April renewal.

Operator

The next question comes from the line of Vinit Malhotra with Mediobanca.

Vinit Malhotra
Mediobanca - Banca di credito finanziario S.p.A., Research Division

So one topic I could ask in Corporate Solutions, where, obviously, the numbers look great. And one comment is the reserve releases remain very high. So fourth quarter was also very high. And 1Q is also quiet high, as I understand. Could you just help us understand, this comes from very recent year property book. How should we -- I mean, is it still to come? Is it done mostly this reserve release in Corporate Solutions? Because usually, you don't expect many releases from this. That's the first question.

Second thing is just if I can follow up. So clearly -- you very clearly said at the last call that NEP will not be as poor as the January renewals. And obviously, it's working out better. How should the rest of the year -- will there also be some similar effects from the last 1 or 2 years business to be expected in the NEP. And are you comfortable this kind of 5%, 6% sort of growth rate for the rest of the year?

John Robert Dacey
Group Chief Financial Officer

So maybe I'll do the first one with respect to Corporate Solutions. The -- I mean, you're correct that there was a positive prior year development from reserves largely in the property side coming through on Corporate Solutions. I think the point here is we're very comfortable with the overall reserve position across all lines of business on Corporate Solutions book. We've been somewhat cautious about not over-interpreting what has been a modest frequency of reported losses to us. We think there may be late claims development or reporting coming through. And so we're not bringing everything into the current P&L on the expectation that there's still something to come. So I don't think we're being extravagant with the realization of prior year reserves here. I think, in fact, that we continue to be very well and strongly positioned, having learned some lessons in Corporate Solutions in 2017 and '18.

And The second question, I'll come back to Thierry.

Thierry Leger

So Vinit, on the premium growth rate and the expectations for the full year and how much we -- you should read from the first 3 months into what it means for the full year, so it's clear that the first 3 months have been profiting from 2020 business that is now earning through. So the 1/1 renewals, obviously, they earn through the first quarter only very partially. So that -- therefore, the growth we've experienced in 2020 is what has been part of the driver here. Other the has been FX with some proportion as well. .

And therefore, I -- when -- your question is, can we kind of expect this growth impact to be the one for the full year, I can really not say, but it does seem on the higher end of what I would expect definitely. So I would rather go into something flat for the year, but it's very difficult to say and will depend on the level of transactions that we see and the opportunities in the business.

John Robert Dacey
Group Chief Financial Officer

Yes, I'd say both transactions, but also, I mean, we do have some important renewals on June 1 and July 1 in front of us. And depending on what we find ultimately and price adequacy there, we'll be happy to write value-creating business along the way. But for now, the -- as Thierry said, the current 6% premium earned has been aided both by book written in 2020, some multiyear deals and a little bit by foreign exchange.

Operator

The next question comes from the line of Thomas Fossard with HSBC.

Thomas Fossard
HSBC, Research Division

Two questions on the Life Re side. The first one would be on the top line growth of 13%. Also, if you could make some comments on what drove this growth in Q1 and what we should expect on a full year basis?

Second question related to Life as well will be on the normalized or the adjusted for more COVID, $270 million at net profit, which looks to be, I would say, a higher run rate than the $200 million per quarter. So just wanted also -- could you explain what has been the driver? Is there anything to flag on the underwriting side, on the expense side? Or that was driven by financial specificities?

John Robert Dacey
Group Chief Financial Officer

So on the premium growth, we did find some attractive transactions in Life & Health, also that we could book, especially in EMEA, that were assisting us. I don't know that we'll maintain exactly that level of growth for the full year, but we've got capital to deploy, and our Life & Health franchise continues to roll with -- and we see a number of opportunities. So as the primary industry continues to do some restructuring, we can be helpful in the positioning of some of the portfolios that people are looking to move with.

With respect to the ex COVID performance, you're right, $270 million is a big number. The 16.8% ROE is clearly flattered by a decreased equity base as the unrealized gains in the portfolio have shrunk because of interest rates rising. I think -- the way I think about it, we said in our guidance that we thought we'd be at the lower end of the 10% to 12% return on equity range in '21 and '22 based on an equity base of $8 billion. And I'm comfortable to continue to provide that guidance.

We had a little bit of an unusual situation where in almost every geography the technical result was modestly positive, but positive.

Oftentimes, we see, in some geographies, a plus and some are minus and the technical result is not as universally strong as what we saw here. But this was pretty much across the board. And is it somehow helped by the COVID losses? I can't say that, but I can't say that it might not have been modestly either. So the guidance we have out there for something closer to, if you do the math, $200 million per quarter is probably something which I'd suggest is consistent with what we've previously stated.

Operator

The next question comes from the line of Ashik Musaddi with JPMorgan.

Ashik Musaddi
JPMorgan Chase & Co, Research Division

Yes. I have a couple of questions, if you can help me? First of all is, how do we think about return on investment? It was pretty high at about 3.5%. So would it be possible for you to give some extra color as to where it came from, like what is the recurring return? What is the unrealized gains on equities, what is the crystallized gains on equities and bonds? So that would help. And any split in business lines would be very helpful as well just to understand how much of the strength in earnings are coming from this.

The second question I have is going back to your lower cat losses this year. I mean, any thoughts on like whether you had just lower market share in Texas? Or were your market share like normal, it was just higher retrocession? Any thoughts on that would be very helpful as well.

John Robert Dacey
Group Chief Financial Officer

Okay. Ashik, I'll let Thierry -- sorry, I'll let Thierry do the second. On the first one on the return on investments, yes, I mean, 3.5% is a very, very solid number. The underlying number 2.1% is our new running yield definition. I think the difference between the 2 was not the result of a bunch of realized gains that we went out and sold either fixed income or equities, but rather largely driven by valuation increases across our equity portfolio. Some of that in the principal investments portfolio, some of that in the private equity portfolio, which typically gets booked or comes into our books with a 3-month lag.

And so what you're seeing here is the fourth quarter for some of those positions positive. Again, actually, the first quarter of this year has been positive, so there'll be a little head start as we go into Q2 with those private equity positions. Overall, nothing exceptional there. And again, it wasn't a matter of us going out and pushing -- grabbing a lot of gains on this portfolio. The U.S. capital will say that we have to do the mark-to-market on a quarterly basis, and that's what you see. So Thierry, on the second question?

Thierry Leger

Yes. So the winter storm in Texas has been actually a good example to demonstrate the impact of our strategy in underwriting. It's a secondary peril. So it's [indiscernible], but it's 1 that we still try to avoid in the sense where when we say we want to avoid the frequency, remove ourselves from secondary perils, then that's one of those.

And at the level of the loss, $13 billion, as mentioned by John, you wouldn't expect reinsurer like Swiss Re to participate to a large extent. So the way we would design the reinsurance programs would be that our clients take rather a higher share of those losses and our share of wallet, if you want, would kick in when the losses in the market get larger. So that's a very good example.

And I can tell you that, without the restructuring of our portfolio, indeed, our loss in the first quarter would have been larger from that Texas loss but also from the Australian loss. So we could really demonstrate also internally that it had a very positive impact.

Operator

The next question comes from the line of Vikram Gandhi with Societe Generale.

Vikram Gandhi
Societe Generale Cross Asset Research

It's Vik from SocGen. I'd be interested to know if the group has started deploying the excess liquidity given how the yields have moved this year. And secondly, if you can remind us on the hedges that are still in place on various asset classes, that will be very helpful.

John Robert Dacey
Group Chief Financial Officer

So Vik, the -- that's actually one big question because the -- my answer to the first is actually the second. We've done a fairly large unwind of the hedges during the course of the first quarter, continuing a little bit here in April. As we mentioned, we started the year with a fairly defensive posture. It seems a long, long, long time ago. But the month of January or the first week of January was a pretty eventful one vis-a-vis political situation in the U.K. and in the U.S. And so we were starting defensively.

Those hedges have largely come off since then. But in doing so, we've been measured in the rerisking of the portfolio. And so we still maintain a fairly liquid position outside of having reduced the hedges. If we see the opportunities to put those funds to work, we will. But in the meantime, we remain, I think, focused on keeping the liquidity high and the duration, well, largely matched for the regulatory reasons with enough space at the lower end to be able to move cash if we need to move cash into some new opportunities on the asset side.

Operator

The next question comes from the line of Emanuele Musio with Morgan Stanley.

Emanuele Musio
Morgan Stanley, Research Division

A quick one on the combined ratio. The combined ratio that you reported this quarter reflects your initiatives plus better rates now that they're earning throughout the year. So my question is, have you seen any tailwind in Q1 that might not be recurring, such as, for example, lower manmade?

And also on casualty, could you please give us an indication on how claim trends in casualty look like this year versus same period last year?

John Robert Dacey
Group Chief Financial Officer

I think we'll have Thierry take both of those.

Thierry Leger

Okay. So the combined ratio that you mentioned and other -- there was some tailwind we profited from. I would say that is not the case. We've been actually experiencing results very much in line with our expectations for the portfolio that we've built. We have been very confident with the portfolio, the mix and type of business that we have been writing.

In terms of tailwinds, as you called it, right, manmade losses, you mentioned, they have certainly been at the lower end. We are observing still that space. We think some of it is helped by COVID, but the year is still very long. And we will have to be careful to see how this will turn around when actually COVID is going away. So that's a space certainly, from an underwriting perspective, we watch very, very carefully.

Also, in the cost business, we are particularly careful not to take necessarily the experience of the last 12 months as an indicator for the future. That would be very dangerous, which leads me to casualty. So you were kind of right to imply that somewhat in casualty we've seen a calmer month. And we think that, particularly in the U.S., due to COVID, the courts were just less active. And that's one thing. But we also think that the industry and people were generally less active. So many reasons why we have actually seen less of casualty claims.

Now underlying all of this, our conviction, my conviction is that social inflation, all the megatrends that we observe have not changed at all. So we still feel that there is a negative sentiments, sentiment of large companies, if at all, that has even worsened during the COVID crisis. The COVID crisis on its own has offered through its dramatic toll on people has offered or will offer when the courts open even more opportunities for plaintiff bars to claim against companies. So we are very carefully watching that space, too, when the courts reopen to see how that's going to go. We are looking at the funding of the this industry, and the funding is going up. And if you, therefore, take the combination of the funding, the COVID crisis and the reopening of the courts, there is no reason to believe that this would remain at this low level. And it does support our strategy and strong, very strong repositioning of our casualty book in the large corporate space, where we actually exited 60% of the exposures.

Operator

[Operator Instructions] The next question comes from the line of Iain Pearce with Credit Suisse.

Iain Pearce
Crédit Suisse AG, Research Division

The first one I had was on the cat budget. I'm just trying to understand the moving parts of that. The cat budget is up 5% year-on-year. But obviously, you've shrunk exposure to secondary perils and sort of those aggregate exposures. So just wondering why that's increased, particularly with the use of ACP as well? And whether you think that is a more conservative estimate?

And then also on sort of large loss exposures. With the cat budget going up and reduced exposure to secondary perils, should we expect lower market shares of secondary peril events and aggregate exposures, but then higher market shares of the sort of more tail risk events?

Thierry Leger

Okay. I can start. And John, if you want to add something. So the cat budget, obviously, it's not just related to one peril such as TCNA or so. So it is an expression of all the business we write around all the perils. We've actually seen healthy growth in many of the perils we wish to write more of. I've told you over the last months that we're actually, to the contrary, very, very keen to grow any of our modeled perils.

We have modeled 180 perils. And as I said, we are very keen to grow those. So the -- for me, the increase in cat budget, therefore, is very good news. And it shows that we're actually improving our diversification of the cat book, which is the case. And accordingly, the budget has moved up.

The question to secondary perils is -- or your remark rather, that secondary perils, average market share would have reduced and to the benefit of the others is absolutely correct. So we have definitely strongly reduced our exposure to secondary unmodeled frequency perils and increased our exposure to the modeled perils.

John Robert Dacey
Group Chief Financial Officer

So I mean, just to reiterate, I do think the true tail risk of large events is something which we're comfortable reinsuring. And yes, that exposure has grown, but it hasn't necessarily grown in any single peril. It's grown across a range of global potential events, as Thierry indicated.

Operator

The next question comes from the line of Michael Haid with Commerzbank.

Michael Hermann Haid
Commerzbank AG, Research Division

Just 1 question on Life & Health Re. As obviously, you experienced strong premium growth. Some, to my understanding, was driven by some transactional business. Can you tell us how much is actually financial solutions business, in particular, solvency-driven transactions? These usually come with a lower margin. And if I remember correctly from the Investor Day, You said that you want to move down towards smaller clients. Is that also an effect from that seen in the Q1 already?

Thierry Leger

Yes. I'm happy to take this one. So on Life & Health premium growth, so the -- I think John alluded to it already. So it's been rather at the higher end of growth definitely for us, too. This is a riskful business that we expect to grow over time.

We see many reasons for that, societal reasons. There is this huge protection gap out there on the Life & Health business side across almost all lines of business. So there's clearly enough room to grow, but definitely not at this pace. So as you rightly point out, the differential in growth has been coming from large transactions. And no, they haven't come from financial solutions or solvency-driven deals. They have mainly been in the area of longevity and M&A, restructuring-related transactions.

Operator

There are no more questions at this time.

Thomas Bohun
Head of Investor Relations

Thank you all for joining the call. If you have any questions after this, please don't hesitate to contact the Investor Relations team. Thank you all. We wish you a nice weekend, and thank you, operator, back to you.

Operator
Thank you for your participation, ladies and gentlemen. You may now disconnect.