S&P Capital IQ

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Intact Financial Corporation TSX:IFC

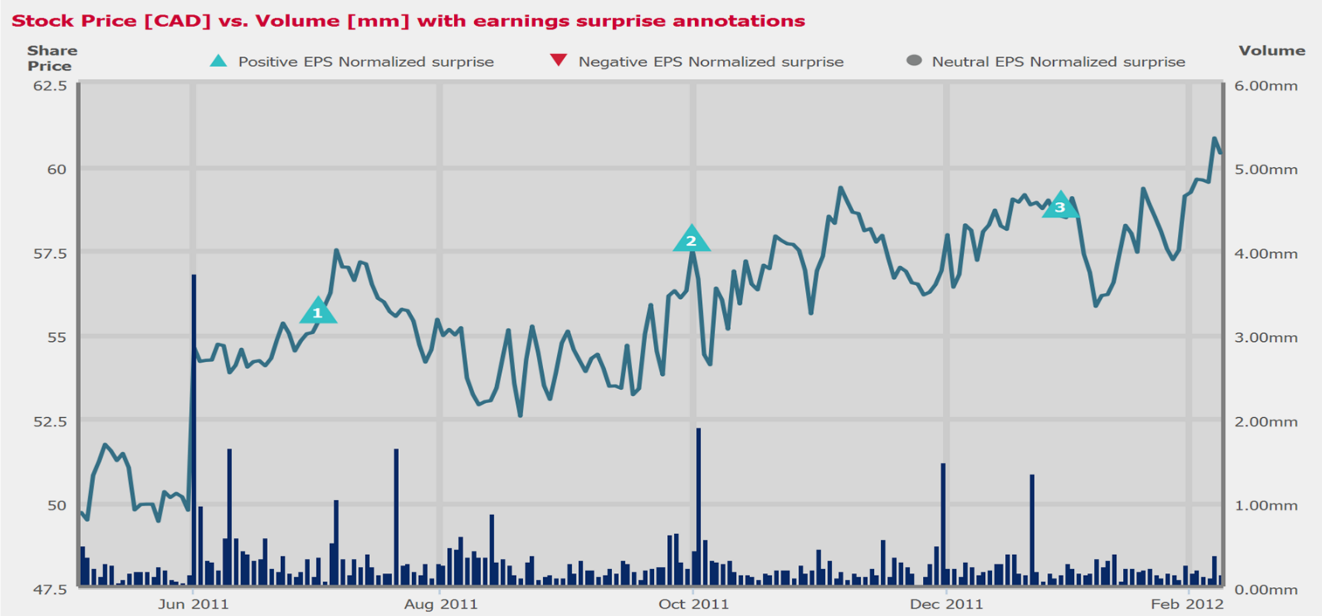
FQ1 2012 Earnings Call Transcripts

Wednesday, May 02, 2012 3:00 PM GMT

S&P Capital IQ Estimates

	-FQ1 2012-			-FQ2 2012-	-FY 2012-	-FY 2013-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.25	1.34	▲7.20	1.48	5.46	6.25
Revenue (mm)	1575.09	1403.00	▼(10.93 %)	1616.00	6512.97	6941.14

Currency: CAD
Consensus as of May-02-2012 1:56 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ1 2011	-	0.91	-
FQ2 2011	0.72	1.36	▲88.89 %
FQ3 2011	1.03	1.11	▲7.77 %
FQ4 2011	1.12	1.14	▲1.79 %

Call Participants

EXECUTIVES

Alain Lessard
Senior Vice President of Commercial Lines

Charles Brindamour
Chief Executive Officer and Director

Dennis Westfall
Former Vice President of Investor Relations

Mark A. Tullis
Vice Chairman

Martin Beaulieu
Chief Operating Officer of Direct to Consumer Distribution and Senior Vice President

Unknown Executive

ANALYSTS

Andre-Philippe Hardy
RBC Capital Markets, LLC, Research Division

Bryan Brown
Macquarie Research

Stephen Boland
GMP Securities L.P., Research Division

Tom MacKinnon
BMO Capital Markets Equity Research

Presentation

Operator

Good morning. My name is Adam, and I will be your conference operator today. At this time, I would like to welcome everyone to the Intact Financial Corporation Q1 Earnings Results Conference Call. [Operator Instructions] Dennis Westfall, Director of Investor Relations, you may begin your conference.

Dennis Westfall
Former Vice President of Investor Relations

Thank you, Adam, and good morning, everyone. A link to our live webcast and background information for the call is posted on our website at www.intactfc.com under the Investor Relations tab. Before we start today's call, I'd like to advise the participants on this call that this presentation does not constitute or form part of any offer for sale or solicitation of any offer to buy or subscribe for securities, nor shall it or any part of it form the basis of or be relied on in connection with or is any inducement to enter into any contract or commitment whatsoever. For purposes of inclusion and completeness, I'd also refer you to the detailed disclaimer legend contained at the front of our investor presentation with respect to certain additional matters.

In addition to the foregoing matters, I'd also like to reference the forward-looking statements legend contained in our press release in today's date and the forward-looking legend and disclaimer contained in our presentation materials, which will apply to any forward-looking information we may discuss today as part of the call.

Finally, I'd like to point out that we are currently in a period of distribution under applicable Canadian securities laws, and accordingly, we may be limited in terms of what we can say during this call and how we may respond to questions. We know that you will understand if we indicate that we cannot respond to a particular question or provide further information or comment.

Here with me today are Charles Brindamour, Chief Executive Officer; Mark Tullis, Chief Financial Officer; Martin Beaulieu, Senior Vice President, Personal Lines; and Alain Lessard, Senior Vice President, Commercial Lines. We will start with formal remarks from Charles and Mark followed by a Q&A session. Martin and Alain will also be available to answer your questions during that time.

With that, I will ask Charles to begin his remarks.

Charles Brindamour
Chief Executive Officer and Director

All right, thanks, Dennis. Good morning, everyone. I'd like to first make some comments on the acquisition before moving to the Q1 results. So this morning, we announced an agreement to purchase JEVCO Insurance Company from the Westaim Corporation for total consideration of CAD $530 million. We believe this acquisition is an attractive deployment of our capital, provides strong strategic fit and is financially compelling.

From a strategic point of view, the most important benefit for us is the ability to strengthen our offer to brokers and customers. The addition of JEVCO will expand our product offering into recreational vehicles and nonstandard auto and also strengthen our commercial and specialty lines capabilities. We believe there are opportunities for us to improve the performance of the business by implementing our risk selection and claims management expertise. And further, we expect to be able to leverage our broad distribution platform in conjunction with the complementary products to improve our growth profile.

I'll let Mark walk you through the financial metrics in a few minutes, but to summarize, I believe our strong financial position has maintained following the acquisition, which affords us the flexibility to continue our journey towards building a world-class P&C insurer.

Moving on to the earnings results. Last night, we announced the first quarter net operating income of CAD $179 million or CAD $1.34 per share. That is 47% higher than a year ago, a solid start to the year. Continued positive result from our action plans, combined with exceptionally mild winter conditions, led to an underwriting performance in Q1 2012 with a combined ratio of 92.3%.

From a topline perspective, we reported premium growth of nearly 50% for a second consecutive quarter, reflecting the addition of AXA Canada as well as organic growth. Thus far, customer retention is strong, and we should have more clarity on a sustainable level of retention by our next quarterly conference call.

Overall, our underwriting performance and steady investment income resulted in an operating ROE of 16.2%, while book value per share increased 13% from a year earlier. Our outlook for the industry remains unchanged as 2011 played out largely as we anticipated.

During the year, the industry recorded 4% premium growth in auto, driven by Ontario, 7% in personal property in reaction to years of heavy weather-related losses and 3% in commercial lines. As the drivers behind this growth will likely continue to impact 2012, we expect similar growth in the coming 12 months. The low interest rate environment and reinsurance market conditions should support our outlook and will likely lead to firmer conditions over time.

From an underwriting perspective, the industry ended 2011 with a combined ratio of 100%. For 2012, we anticipate some improvement from personal auto resulting from reforms in Ontario as well as continued premium increases. In personal property, resulting from mild weather conditions experienced in the first quarter and continued premium increases as well. We do not anticipate a loss ratio improvement in commercial lines but expect pricing conditions to improve by a moderate pace over time following several years of soft industry pricing. So that was an industry perspective, just to be clear.

Finally, looking at the industry's ROE, we do not expect material improvement in the near term from the 6% level of experience in 2011. Although underwriting performance may improve modestly, we anticipate this would largely be offset by the negative impact on investment income from the low yield environment.

Looking specifically at Intact Financial, we strongly believe we'll continue to outperform the industry's ROE by more than 500 basis points in 2012. Turning to Ontario auto. We remain confident that the benefits from the reforms and our actions will materialize as previously outlined, but we remain prudent and disciplined in this market. We've been very active in managing our files being disputed through mediation. And as a result, our backlog has declined by more than 25% since the peak in 2011.

At the industry level, a significant mediation backlog of about 1 year continues to exist. The size of this backlog maintains a fair level of uncertainty with respect to interpretation of new regulations implemented through the reforms. According to industry results, the loss ratio in Ontario auto for 2011, excluding Intact Financial, improved by about 19 points from a year earlier to 84%. That is loss ratio we're talking about. The improvement, while impressive, was aided by a significant level of favorable prior year claims development in addition to continued rate increases.

In the first quarter of 2012, the Financial Services Commission of Ontario approved rate increases of 0.2%. In total, industry rate increases have amounted to 7.2% since the reforms despite their beneficial impact.

In personal property, benefits from our actions to improve results and the mild winter conditions resulted in a combined ratio of 83.5%. Despite 2 consecutive quarters of very strong results in this line of business, we maintained our focus on the actions already taken and continue to monitor and adapt to the increasing level of severe weather occurrences to really create a sustainable competitive advantage.

Pricing conditions in commercial lines remained soft, but we remain focused. From a growth perspective, our results in commercial lines are beginning to reflect our value proposition, which includes a broader product suite and maintaining the outer boundary of Intact and AXA risk appetite, as well as a continued focus on small and medium-size businesses.

Let me make a few comments about the AXA integration. With over 300,000 personal lines policies and 40,000 commercial lines policies already converted, I'm very comfortable in saying that our integration is on track. This is a true testament to the hard work of countless individuals from across the organization, who've come together to ensure our brokers and customers embrace our offer and continue to receive top-notch service.

In fact, I'm very proud to say that according to recent survey results, our national broker satisfaction rate is at an all-time high. In almost every region, we saw an increase in results versus the prior year.

In planning for the JEVCO integration, a key principle is to ensure that there will be no disruption to the AXA integration nor to the high level of service we currently provide to brokers and customers.

So in conclusion, the strong performance we delivered throughout 2011 carried over into the early months of this year. I believe the importance we place on underwriting results will continue to serve us well in the current low interest rate environment. Given the quality of our operational platforms, the flexibility provided by our financial position and the combination with AXA Canada, we believe that we'll continue to outperform the industry and strengthen our leadership position.

And with that, I'll now turn the call over to our CFO, Mr. Tullis.

Mark A. Tullis
Vice Chairman

Thank you, Charles. First, a few comments related to our acquisition of JEVCO. We estimate an IRR on equity returns from the acquisition, which is our primary metric when we measure potential targets, of more than 20%. We also expect the deal to be accretive to net operating income per share beginning in 2013 and to provide 2.6% book value accretion.

We intend to finance the acquisition through a combination of equity: by way of our 226 million subscription receipt issuance, internal excess capital and debt, as well as excess capital inside JEVCO that will become available following the close of the transaction.

Following the close of the transaction, we expect our MCT to remain about 200% and our debt to total capital ratio to remain below 20%. The transaction, which is expected to close this fall, has been approved by the boards of both companies and is conditional upon the approval of Westaim's shareholders and the receipt of the required regulatory authorities. Alberta Investment Management Corp., Goodwood Inc. and the directors and executive officers of Westaim and JEVCO have agreed to vote their Westaim shares in favor of the transaction. These holdings represent an aggregate around 48% of the outstanding common shares and just over 57% of the shares which are entitled to vote at the special meeting of Westaim's shareholders.

Moving to the Q1 results. Last night, we announced net operating income per share of CAD $1.34, reflecting exceptionally good underwriting results on the heels of very mild winter conditions. Earnings per share of CAD $1.33 were down from CAD $1.42 a year ago, reflecting restructuring and integration expenses as well as the remaining AXA France contingent consideration.

On an adjusted basis, excluding acquisition-related items, we recorded EPS of CAD $1.59, up from CAD $1.43 a year ago. Top line growth continues to be excellent at 49%. As Charles mentioned, AXA retention has been strong but the ultimate level of retention will not be fully visible until later in the year.

Our organic growth benefited from the continued acceleration in the growth of our direct auto business from negative 4% in Q3 2011 to positive 4% in Q4 2011 and 7% this quarter.

Slides 8 and 9 show results by line of business. In personal auto, premium growth benefited from the addition of AXA as well as organic growth. As AXA's auto business had a larger percentage of lower premium Québec business, our unit growth was even stronger than the premium growth. At 95.2%, our combined ratio was 2.5 points better than a year ago as current year results were helped by a 10% drop in claims frequency reflecting the mild winter conditions.

In personal property, lower frequency of claims due to the mild winter, as well as due to our actions to improve results, produced an exceptionally strong 83.5% combined ratio, almost 9 points better than a year ago. AXA's contribution was once again most evident in the commercial lines business, with a premium growth of 78%. The commercial auto combined ratio was a very strong 85.2%, but in commercial P&C, results were impacted by an elevated level of large losses including, non-weather fire-related losses. The combined ratio for commercial P&C was 97.6%.

Our effective tax rate for the quarter was 20.5%, down from 24.3% in 2011, lower corporate tax rates primarily at the federal level accounted for 1.7% of the drop. There was another 1.7% reduction due to a higher percentage of nontaxable income. About 1/2 of this second 1.7% improvement is timing, but the other half reflects a structural a change due to the different mix of business within AXA Canada. Our expense ratio increased from 30.3% to 32.6% reflecting higher profit sharing commission as well as the percentage of higher commission commercial business within the AXA block.

On the investment side, net investment income of CAD $100 million in the first quarter was up 37% from a year ago due to the additional investments related to AXA Canada. However, declining yields continue to offset the underlying asset growth. We expect the lower interest rates to continue to negatively impact our market-based yield in the coming quarters.

Our financial position remains strong at the end of the quarter with an MCT of 205%, CAD $595 million in excess capital and book value per share of CAD $30.40, 13% higher than a year ago. We allocated 250 million of proceeds from the sale of AXA's life insurance business towards reducing debt. As a result, our debt to total capital ratio is now 19%, within our target of 20%.

As Charles mentioned, the integration of AXA Canada continues to be on track, and we expect to continue the integration -- complete the integration by mid-2013. We maintain our CAD $100 million after synergies -- after-tax synergy targets and expect to reach this run rate progressively by the second half of 2013. We are on plan with the CAD $36 million run rate already secured in 2012 and a CAD $50 million run rate expected by the end of the year.

During the first quarter, we recorded CAD $23 million of restructuring integration expenses, and we expect the level similar or lower for the remaining quarters of 2012.

In summary, our disciplined pricing, underwriting investment and capital management have positioned us well for the future, with the progress made to date on the AXA integration and today's announced acquisition of JEVCO, we feel we are well underway toward building a world-class P&C insurer.

With that, I'll turn the call back to Dennis.

Dennis Westfall
Former Vice President of Investor Relations
Thanks, Mark. Adam, we are now ready to start the Q&A session. I'll remind participants of my earlier disclaimer, I ask that we keep to a 2-question limit given the amount of content to discuss.

Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Andre Hardy.

Andre-Philippe Hardy
RBC Capital Markets, LLC, Research Division

I have 2 questions and they both relate to the auto business. The first is in your MD&A, you talked about results improving by 5.5 points on a year-over-year basis on the current year -- accident-year basis. That seemed largely driven by the positive impact of weather on frequency. Is that right? And if it is right, why did you not benefit more from Ontario reform and company actions? I didn't get the sense that you'd seen the full benefits of those actions last year.

Charles Brindamour
Chief Executive Officer and Director

Martin will take that question.

Martin Beaulieu
Chief Operating Officer of Direct to Consumer Distribution and Senior Vice President

Yes. In fact, we had -- we're estimating that the improvement that is coming from weather is about 3 points in our auto portfolio. So when you say that there should have been more coming -- as well coming from the reforms, we're still seeing some progress there.

Andre-Philippe Hardy
RBC Capital Markets, LLC, Research Division

Can you help us understand -- I mean, awhile back you've said that relative to 2010, you expected reform to help by 6 points and company actions to help by a similar amount. How much of that you saw last year, and how much we should expect this year?

Martin Beaulieu
Chief Operating Officer of Direct to Consumer Distribution and Senior Vice President

Well, the 12 points we have, we have in our books at the end of 2011. So what we are looking at now is that we would have maybe a few more points that we are starting to see in 2012.

Andre-Philippe Hardy
RBC Capital Markets, LLC, Research Division

That's helpful. My other question is also on Ontario auto. You had a pretty big drop in the number of cases in mediation. Yet I think we can infer from your disclosures that you did not release more reserves than usual. Again, is that an accurate statement, and if so, why would you not release some reserves if you're seeing less uncertainty in your open cases?

Charles Brindamour
Chief Executive Officer and Director

It's an accurate statement, and I think it goes back to the fact that the improvement in the case incurred at the file level is very strong. In our view, there is still uncertainty, even though the backlog has dropped by 25%. And therefore, we remain cautious in that market at this stage. We're working hard at closing those mediation files. But don't forget that there is the impact on the files that you closed, but the uncertainty associated with the mediation per se can have an impact on many of the open files. So even if you close a quarter of the file, there is still a fair bit of open files that are being mediated. And therefore, the uncertainty is still there. I think were going as fast as we can to reduce our backlog, but the industry that exists or the uncertainty that exists in Ontario auto is not only related to our backlog, it's related to the backlog of the industry in general, which has not dropped. That's actually increased.

Martin Beaulieu
Chief Operating Officer of Direct to Consumer Distribution and Senior Vice President

And what I could add there is that what has been the reduction in the mediation pending files in our portfolio has been resolved outside of the mediation process. So what is being mediated is still out there.

Charles Brindamour
Chief Executive Officer and Director

Yes.

Operator

Your next question comes from the line of Tom MacKinnon.

Tom MacKinnon
BMO Capital Markets Equity Research

A couple of questions here. I've noticed the expense ratio kind of ticked up nearly 2 points quarter-over-quarter. And I'm just kind of wondering what's been driving that? And I've got a follow-up.

Mark A. Tullis
Vice Chairman

Sure, and I think it's 2 things, Tom. I'll say, a bit 1/2, a little more than 1/2 of it is due to the increase in contingent profit commissions year-over-year because of the good results. The rest is because of the mix of business, primarily the commercial business, but a little bit the Québec business as well, AXA versus Intact. So let me give you a few numbers to sort of put that in perspective. If you look at Intact's 2011 expense ratio for 2011, for commercial lines, it was a little over 36%, for personal lines, it was a little over 28%. So you can see the difference in the expenses between commercial and personal. Of course in combined ratio, it works out, because the loss ratios are different. But as we pick up more -- relatively more of the commercial business from AXA, it's going to shift the expense ratio.

Tom MacKinnon
BMO Capital Markets Equity Research

Okay. So we should probably see somewhere around this level continuing, and strictly due to mix and as the mix changes?

Mark A. Tullis
Vice Chairman

Yes. That's due to commissions, and the offset, Tom, is the pricing works out, so you'll see the offset on the loss ratio side of it. But what you'll see is a shift with a change in mix toward a bit heavier on the commissions.

Charles Brindamour
Chief Executive Officer and Director

What bakes in prospectively are the synergies, obviously.

Mark A. Tullis
Vice Chairman

Correct. On the general expense side, you see a drop, but then you see that increased on the commission side.

Charles Brindamour
Chief Executive Officer and Director

Exactly.

Tom MacKinnon

BMO Capital Markets Equity Research

Okay. So a little bit of the synergies have come down to knock this down, but as I understand it, as the business mix moves more toward commercial, then that might be -- that works the other way to some extent? And...

Mark A. Tullis
Vice Chairman

Correct. The expense ratio will go up, but you should see an offsetting -- offset on the loss ratio side.

Tom MacKinnon
BMO Capital Markets Equity Research

Okay. And in the SIP on page -- or in the supplementary on Page -- on Table 4, there's an item called the distribution income. And that's running at a rate 3x higher than we've normally have seen it. And so what's up there?

Mark A. Tullis
Vice Chairman

Right. Right. So I think there is 2 things going on there, Tom. So what that represents -- the increase represents 2 things. One is the inclusion of AXA brokers. As you remember when we purchased AXA, they included some brokerages similar to some of the brokerages we own. If you look at the increase in the quarter, approximately 1/2 of that increase is due to the inclusion of the AXA brokers within the -- so you could -- either 1/2 of that is permanent, 1/2 of it is timing, because it was a particularly good quarter for the brokerages. So I think you could see sort of 1/2 of that increase over a year ago sort of run rate sort of stuff, 1/2 of it was because those outlets enjoyed a particularly good quarter from a timing point of view.

Charles Brindamour
Chief Executive Officer and Director

On your 2 questions are linked because the fact that commissions went up and profit sharing went up because of good results means that our distribution units such as BrokerLink received better commission income as a result of good results.

Mark A. Tullis
Vice Chairman

Hence the timing. And 1/2 of it is just the base inclusion of the additional business from AXA.

Tom MacKinnon
BMO Capital Markets Equity Research

Okay. And if could just squeeze 1 more. In the 595 in excess, is that -- just remind me, what MCT level that's supposed to be over?

Mark A. Tullis
Vice Chairman

It's 170, right?

Unknown Executive

170, yes.

Tom MacKinnon
BMO Capital Markets Equity Research

And what is this over 200?

Charles Brindamour

Chief Executive Officer and Director

It's your third question, Tom.

Tom MacKinnon
BMO Capital Markets Equity Research

Yes, let it go.

Charles Brindamour
Chief Executive Officer and Director

We'll come back before the call ends.

Mark A. Tullis
Vice Chairman

I got to find the right sheet.

Operator

Your next question comes from the line of Stephen Boland.

Stephen Boland
GMP Securities L.P., Research Division

A couple of questions, really mostly to do with the -- well, first one on the acquisition. There was a run off business in Westaim, mostly long-haul trucking, I know it depleted somewhat. Maybe just comment on that, if -- how you review that. And following on the -- they had talked about dabbling back into long-haul trucking again, is that a business line that you're thinking of sort of entering into?

Charles Brindamour
Chief Executive Officer and Director

So I think we have to -- the band here of comments on the acquisition is very tight, and so it's hard for me to comment on the first part of your question. The second part of your question though is that when you look at our commercial auto results, there is trucking results, and maybe you want to comment, Alain, on our commercial auto results.

Alain Lessard
Senior Vice President of Commercial Lines

Well, we already are doing trucking business across Canada, in Québec, in Ontario and the Western Canada. And we saw the JEVCO acquisition when we look at the strategic fit as also being improved and increased our distribution and our capability in trucking in Ontario business, which has proven to be part of our specialty lines of profitable business.

Stephen Boland
GMP Securities L.P., Research Division

Okay. I guess the second question, Charles, and everyone sort of points to your conservatism with Ontario auto and the outlook, and yet you're buying an acquisition here that is nonstandard auto, predominantly Ontario, meaning you're actually getting more into the business, which I guess we could take that -- you have a very positive outlook but your kind of being a little bit guarded about it.

Charles Brindamour
Chief Executive Officer and Director

Yes, I think -- look, let me just come back on the commercial auto comment. The combined ratio, 85% in the quarter. And if you go back last year and the year before, you'll see pretty strong results there. So when it comes to commercial auto, we're quite positive about that business and want to expand our presence as Alain was saying. Now moving on to Ontario automobile. Of course, I'm guarded about the

Ontario automobile, because it's been a volatile business over time for the industry. I'm guarded about Ontario automobile, because I talk on behalf of IFC, but I'm making comments about the industry as well. And as you know, the industry is still operating despite the improvement we've talked about, despite the 19 point improvement in loss ratio, the industry is still running north of 105. So I do think that one needs to be guarded in one's comment.

I think that what is really important to understand, Stephen, is that we do outperform the industry by a 13 point margin in Ontario. So I do believe we have a meaningful advantage there. And I think in particular in claims management, I do believe that a lot of value can be created building on that basis. And I do believe that with that kind of advantage, we are insulated to a certain extent to a greater degree from the pain that the industry has suffered over time in Ontario auto. And we've always said that from a strategic point of view, we don't have a business mix or provincial distribution target. Our target is to outperform as much as we can, and when we're confident about our out-performance, we'll do more of that. And I think this is an example this morning.

Stephen Boland
GMP Securities L.P., Research Division

Okay. And no comment on the runoff business? I mean, it's public that, that business line was there, and obviously, you've done your diligence on it.

Charles Brindamour
Chief Executive Officer and Director

Yes. We've done that, very deep due diligences.

Operator

Your next question comes from the line of Bryan Brown.

Bryan Brown
Macquarie Research

This quarter, we saw quite a strong favorable reserve development, and it was slightly higher than last year. And I just wanted to know if that had anything to do with AXA's reserves?

Charles Brindamour
Chief Executive Officer and Director

Well, just to put things in perspective, the prior year development in the quarter was indeed strong and stronger than one should expect over time, but not too far from what it was last year. I think there's a bit of seasonality in favorable development in general where Q1 tend to be stronger quarter, it's the first point I'll make. You'll notice that we have accrued CAD $11 million of contingent consideration for AXA, and as you know, those contingent consideration are driven by favorable development. So AXA's reserves have had very good favorable development in the quarter, no doubt about it. So we're quite pleased. When I say our acquisition is on track, all of that is embedded in our comments.

Bryan Brown
Macquarie Research

Okay, great. And I guess with respect to JEVCO, if you have any details on their reserving practices or just how you view their reserving practices?

Charles Brindamour
Chief Executive Officer and Director

We're quite comfortable with their reserving practices. This is -- I mean, it's a public company. You've seen their results in the past 2 years, so you can assess from the outside as well as we can. And then obviously, and I've mentioned that before, reserves is the top area of due diligence for us. So I can assure you that a number of us have dug deep on that side of the house. And the fact that we've announced the transaction this morning is a sign of comfort with what they're doing on that side.

Operator

[Operator Instructions] And there are no further questions at this time. I'll turn the call back to the presenters.

Charles Brindamour
Chief Executive Officer and Director

Well, maybe we could answer Tom's third question, and we'll make sure that he gets less one at the next earnings call.

Mark A. Tullis
Vice Chairman

And just to -- in fact, the CAD $87 million, which I recollected is correct. The excess million in excess of 200% is CAD $87 million.

Charles Brindamour
Chief Executive Officer and Director

All right, great.

Dennis Westfall
Former Vice President of Investor Relations

Thank you very everyone for participating. The webcast will be archived on our website for 1 year. The telephone replay will be available at 2 p.m. today until Wednesday, May 9. The replay number is 1 (855) 859-2056 and the pass code is 61980682. A transcript will also be made available on our website. Please note that we are holding our Annual Meeting today at 2 p.m. and our second quarter results will be released on August 1. That concludes our conference call. Thank you, and have a great day.

Operator

[Audio Gap]
today's conference. You may now disconnect.