Fox Corporation (FOXA) CEO Lachlan Murdoch on Q1 2020 Results - Earnings Call Transcript

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FQ1: 11-06-19 Earnings Summary

Press Release

EPS of $0.83 beats by $0.14 | Revenue of $2.67B (-% Y/Y) beats by $70.8M

Earning Call Audio

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Fox Corporation (NASDAQ:FOXA) Q1 2020 Earnings Conference Call November 6, 2019 4:30 PM ET

Company Participants

Joe Dorrego - Chief Investor Relations Officer and EVP of Corporate Initiatives.

Lachlan Murdoch - Executive Chairman and Chief Executive Officer

John Nallen - Chief Operating Officer

Steve Tomsic - Chief Financial Officer

Conference Call Participants

Doug Mitchelson - Credit Suisse

Jessica Reese Erlich - Bank of America Merrill Lynch

Michael Nathanson - MoffettNathanson

Ben Swinburne - Morgan Stanley

Brandon Ross - LightShed Partners

Jon Hollick - UBS

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Fox Corporation First Quarter Fiscal 2020 Earnings Conference Call. At this time, all participants are in a listen-only mode. [Operator Instructions] As a reminder, this conference is being recorded.

I would now turn the -- like to turn the conference over to our Chief Investor Relations Officer and Executive Vice President of Corporate Initiatives, Mr. Joe Dorrego. Please go ahead sir.

Joe Dorrego

Thank you, operator. Hello, everyone and welcome to our first quarter fiscal 2020 earnings conference call. Joining me on the call today are Lachlan Murdoch, Executive Chairman and CEO; John Nallen, COO and Steve Tomsic, our CFO.

First, Lachlan and Steve will give some prepared remarks on the most recent quarter and then we'll take questions from the investment community. Please note that this call may include forward-looking statements regarding Fox Corporation's financial performance and operating results. These statements are based on management's current expectations and actual results could differ from what is stated as a result of certain factors identified on today's call and the company's SEC filings.

Additionally, this call will include certain non-GAAP financial measures, including adjusted EBITDA or EBITDA as we refer to it on this call. Reconciliations of non-GAAP financial measures are included in our earnings release and our SEC filings which are available in the Investor Relations section of our website.

And with that, I'm pleased to turn it over to Lachlan.

Lachlan Murdoch

Thanks, Joe. Good afternoon, and thanks everyone for joining us today on Fox Corporation's 2020 first quarter earnings call. Our first full fiscal year as a standalone public company is off to a solid start with good positive momentum across all our businesses. We've just reported strong financial results, which Steve will comment further on shortly.

But perhaps more importantly, we are making significant progress on the operational goals and strategic initiatives that we outlined to you at our Investor Day. Our strategy to build Fox around live sports, news and event programming is producing results and delivering audience growth and engagement faster than we expected. For example, we are now six weeks into the fall season and Fox's establish itself as both the number one rated broadcast network and the only Big 4 network to deliver year-on-year audience growth in the key 18 to 49 demographic and in total viewers.

We're up 5% in 1,849 ratings and 10% in total viewers. This leadership position stems from the investments we're making across our network beginning with Fox Sports, which is accounted for 22 of the 50 most-watched telecast in the country since the NFL kickoff. Our ratings are up 11% across our entire portfolio of college and pro football led by Thursday Night with viewership up 22% and our Sunday broadcast which is up 8% to a 3-year high.

Another new addition to the Fox Network was the debut of WWE's Friday Night SmackDown on October 4 to an average audience of nearly 4 million viewers. We are thrilled with our WWE partnership as it completes our strategy, the program live content from Thursday through Sunday in the fall. The momentum behind football and WWE continued into the second quarter with a solid major-league baseball postseason, culminating with a historic 7-Game World Series.

Fox wins in adults 18 to 49 on four nights, Monday, Wednesday, Thursday and Friday, more nightly wins than any other network. The success of the network extends well beyond sport with our entertainment slate off to a great start, led by two of the top three programs on television. We are pleased to be seeing such positive signs of momentum as we execute the strategy we laid out last May.

Our mix of live and near live tentpole content mixed with high quality entertainment is clearly paying dividends. The Masked Singer has returned for second season as the number one entertainment show on broadcast. And 911 is the top program on Mondays and it's the number two scripted program on all the television. And Prodigal Son is the highest-rated new broadcast program on any network this season.

In fact, in entertainment programming only, Fox ranks number one over the first six weeks of the season for the first time since 2011. Speaking of number one, the Fox News Network is on track to finish the calendar year as the number one cable channel for the fourth straight year. And as the number one news channel for 18 years running. And speaking of news our station group has continued to expand the already extraordinary amount of local news we broadcast which positions us well the robust political ad market we expect next year.

The real strength and value of these distinctive brands is evidenced by the momentum we've had on the distribution and affiliate renewal front where we remain on pace to achieve the targets we’ve previously outlined. We have successfully renewed distribution agreements with Charter, DISH and Cox, along with affiliate agreements with Nexstar, Gray and TEGNA. In each of these renewals, we were able to achieve value that reflects the strength of our core brands.

Having said that, we have seen the rate of subscriber declines in the traditional MVPD universe escalate in recent months with this quarter yielding industry declines of over 4%. But it is important to note that the subscriber losses reported by just one distributor, which accounts for approximately 25% of pay television subscribers, represent the majority of the net losses we experienced over the past 12 months. That distributor accounts for almost 80% of total losses over the last year. And without them, sub losses would decrease to about 1.3%, helped by strong gains from the leading the MVPDs.

This is important because it suggests that it is too early to draw firm conclusions from a market that is still clearly fluid, especially in light of searching results from our leading digital partners. It is though something we are clearly focused on. Another area of focus is growing the company's digital revenues and businesses. I should mention that we do not include the MVPD distribution revenue in our digital results.

The reach of our direct platforms has grown to over 250 million users per month with total engagement grown to over 11 billion minutes per month. Interestingly, we now see well about 10% of our streaming audience consuming the 4K stream. With very positive feedback and we're excited to be the first broadcaster ever to stream the Super Bowl in 4K. It will be a groundbreaking experience for fans.

Our digital strategy inclusive of businesses like Fox Bet incredible its crucial to heightened engagement with our audiences, which is already driving meaningful growth. Year-over-year digital revenue has grown over 30% in the quarter and we continue to work to optimize our digital platforms. For the first time ever our Fox News, Fox Business and Fox Television Stations, Digital Properties are all now underpinned by the same text platforms. And FOX Sports' is being transitioned this quarter enabling us to drive improved monetization across these businesses.

Of course, driving that improvement also leads us to new business models and new revenue streams. In conjunction with the kickoff of the football season, we launched a free to play Fox Sports Super 6 app nationally, which has already achieved nearly 1 million registered users and almost 10 million plays. The Stars Group is now live with the digital sports wagering service Fox Bet in both New Jersey and Pennsylvania.

The proposed merger between Flutter Entertainment, the owner of FanDuel and our partner of the Stars Group will create many opportunities for us. We are excited to develop the Fox Bet brand in partnership with FanDuel and are confident in the dual brand strategy to capitalize on the rapidly growing sports wagering market.

Over a month ago, Fox Business debuted a brand refresh across its linear and digital platforms, including a new logo and tagline invested in EU. As part of this initiative, FoxBusiness.com and the Fox Business app were launched with new content and editorial tools to drive engagement. The initial performance of the relaunch digital properties has been encouraging. As we have seen substantial increases in page views and in unique users.

A core part of our strategy for FoxBusiness.com is our acquisition of Credible Labs, which closed a few weeks ago. We are now beginning the process of integrating its service with our core businesses starting with Fox Business. While we’ve remained focused on executing against our operational plans, we also continue to make progress towards other strategic initiatives, while maintaining a balanced approach to capital allocation.

To further strengthen our portfolio of assets, yesterday we announced agreement with Nexstar to acquire their local television stations in their Seattle and Milwaukee markets. In return, we've agreed to sell them our stations in the Charlotte market, which geographically aligns with Nexstar's existing operations in the Carolinas and in Virginia. It's a great deal for both companies and a rare win-win.

This acquisition expand the reach of one of Fox's core assets, our television stations portfolio and further strengthens what is already a highly profitable and cash generative business. This transaction will expand our market presence to 14 of the top 15 DMAs, and importantly, adds two major markets with NFL, Major-League Baseball, Pack 12 and Big 10 teams. Finally consistent with the timing we laid out at our Investor Day, we have today announced that our Board of Directors has authorized a $2 billion stock repurchase program.

We are pleased to have the buyback authorization formerly in place as part of our capital took kit. The company also announced its intend to complete $500 million of stock repurchases in the near-term. In light of all the positive momentum I’ve just touched upon, in Light of our success of the network at sports, at news and in our growing station group, in light of our market-leading investments in sports gaming and in the Credible marketplace, and in light of the unique cash benefits of our tax structure, we believe we are undervalued in respect to our peers and to other investment opportunities available to us at this time.

This buyback reflects both our confidence in the long-term strength of our business and our commitment to finding the most efficient use of our capital. We remain committed to deploying capital in a disciplined manner to maximize shareholder value to a balanced approach of organic investment, accretive AMA and return of capital to our stockholders. We will not follow a prescribed formula of deployment, instead we will be opportunistic and invest capital where we feel the company can achieve the greatest return on investment.

Now, Steve will provide more detail on our financial results.

Steve Tomsic

Thanks, Lachlan, good afternoon. We've made a solid start to fiscal 2020. And notwithstanding the subscriber headwinds Lachlan just mentioned, overall we are exceeding our internal plans that we commenced the year with. We delivered healthy top line and double-digit EBITDA growth in the first quarter, which sets us up well for the remainder of fiscal 2020.

Let me now take you through our results and along the way remind you of some key factors that shaped the rest of that fiscal year. In the first quarter, the company reported a total revenues of $2.7 billion, up 5% over the comparative. In fiscal 2019, reflecting revenue growth across all operating segments. EBITDA was $856 million, a 12% increase over the $761 million generated in the prior year, led by high contributions from the television and cable segment.

This growth was partially offset by higher corporate expenses reported in the other segment, which reflect the cost of Fox operating as a standalone public company in the current year quarter. This is the presentation of carve-out financial statements in the prior year, From the bottom line perspective, net income attributable to stockholders of $499 million or $0.80 per share was lower than the $604 million or $0.97 per share in the prior year quarter. This decrease was primarily attributable to $115 million reduction in the unrealized gain recognized in other net related to the changing fair value of the company's investment in Roku.

Excluding this impact and other one-time items, adjusted EPS of $0.83 was up slightly over last year's $0.82 per share as a strong operating performance was largely offset by below the line item such as interest and tax expense which as we've flagged in the past, now reflect the full amount associated with operating as a standalone company.

So now turning to the performance of our operating segments for the quarter. Where company network EBITDA of $684 million, was up 8% on revenue growth of 2%,. The revenue increase was led by other revenue growth of $30 million, This increase was driven by pay-per-view boxing revenues, including the Pacquiao-Thurman bout that took place on July, along with increased sports of licensing revenues and subscription revenues from Fox Nation. Cable affiliate revenues were in line with those in the prior year quarter.

As the impact of higher average rates across essentially all of our brand, was offset by the net decrease in pay television subscribers that Lachlan mentioned earlier. Sorry material changes in current subscriber trends, we anticipate a return to growth in cable affiliate revenue in the second half of the fiscal year as rate resets from recent renegotiations begin to take effect. Cable advertising revenues decreased 4% reflecting lower contributions from the women's FIFA World Cup in the current year as compared to the men's tournament in the prior year along with the absence of UFC programming at the national sports networks.

EBITDA at our cable segment increased 8% over the prior year, reflecting the higher revenues and a 5% reduction in cost. The decrease in expenses was attributable to lower rise in production costs related to the men's FIFA World Cup in the prior year quarter and the absence of UFC programming in the current year quarter, partially offset by contractual increases on existing sports rights agreements.

The television segment EBITDA was $251 million, an increase of $80 million or 47% from the prior your quarter on the back of revenue growth of 6%. The revenue growth was led by a 40% increase in television affiliate revenues, reflecting double-digit programming fee growth from non-owned station affiliates and double-digit direct retransmission revenue growth at our owned and operated stations. This growth is consistent with the overall TV affiliate revenue trajectory we laid out that our Investor Day in May where we announced our expectation to deliver revenues of approximately $2.65 billion by calendar year 2022.

Other revenues in the television segment grew by $34 million driven by higher digital content licensing revenues and revenues from our recently acquired Animation Studio, Bento Box. As expected, advertising revenues in the quarter decreased by $12 million or 2%/ This higher entertainment advertising revenues which include the impact of the broadcast of the Emmy awards on Fox. We are more than offset by the several expected cyclical factors versus the quarter a year-ago. These include the impacts of political advertising revenues at the local stations related to the 2018 mid-term elections and more people will cap matches in the prior year quarter.

Television segment expenses were in line with prior year amounts. There is a contractual increases on existing sports rights agreements and expenses associated with the broadcast of the Emmy awards. We are offset by the absence of the rights expense associated with the broadcast of the men's FIFA World cup in the prior year quarter.

Well, most of you are already aware, at this point it is worth remembering that seasonal and cyclical factors have a particularly pronounced impact on our quarterly results in our television segment. This will be most visible in our Q2 results with the impact of higher sports rights and production expenses at the Fox network reflecting the contractual annual escalators on the NFL major-league baseball and college football contracts. And the addition of WWE rights as well as lower political advertising revenue at our local television stations when compared to the prior year.

Finally from a P&L perspective, the net EBITDA loss in our other segment amounted to $79 million, which reflects the full quarter of standalone costs as opposed to the carve-out basis of presentation in the corresponding quarter last year. A strong overall P&L results generated free cash flow which we calculate as net cash provided by operating activity, less cash invested in property plant and equipment of just over $160 million in this quarter.

The modest rate of conversion of EBITDA to free cash flow of approximately 20%, reflects the typical seasonality you should expect to see in the business. Here our first and second quarter cash flow are impacted by the working capital deficit from sports rights payments and the timing of cash collections and advertising revenue, which both reverse in the second half of that fiscal year.

On a full-year basis, we continue to expect to benefit from natural low working capital usage, along with that cash tax benefit. From an overall balance sheet perspective, we ended the quarter with $3.3 billion in cash and $6.8 billion in debt.

As Lachlan mentioned earlier, in the very near-term we will be deploying $500 million of cash on hand to the buyback of both A and B class share. To do this, we've entered into an accelerated stock repurchase transaction to buy back $350 million of the company's Class A common stock and intend to promptly repurchase approximately $150 million of Class B common stock.

Additionally, as part of that balanced capital allocation approach and as we announced yesterday, approximately $300 million of capital will be directed to the Nexstar television stations transaction, which we expect to close in the second half of this fiscal year. And in October, we closed the acquisition of a 67% stake in Credible Labs for approximately $260 million.

And with that, I'd now like to return it back to Joe.

Joe Dorrego

Thanks, Joe. Operator, we would be happy to take questions from the investment community.

Question-and-Answer Session

Operator

Thank you, sir. [Operator Instructions] And we will go to the line of Doug Mitchelson with Credit Suisse.

Doug Mitchelson

Thanks so much. One question. I guess for Lachlan and John, I'm just curious for an update on the progress on investment spending, how much -- was the September core of a proportion to the year in terms of the investment spending that you laid out at the Analysts Day and how are each of those investments doing Lachlan or you already touched on WWE, but in terms of the program investment and in terms of Fox Nation would love to get an update. Thank you.

Lachlan Murdoch

Hey, Doug, I will let Steve tackle on.

Steve Tomsic

Doug, listen in terms of the amount of investment spending actually deployed in the quarter is actually relatively modest. We called out at the Investor Day, somewhere between $200 million and $250 million of net EBITDA investment over the court to that year. And I would say, less than 10% of that was deployed over the quarter you will see a significant amount of that come through in the quarter we are in now. Because we obviously got WWE that launched on October 4. We are now right in the middle of the full schedule and entertainment programming in Fox Nation, we continue to build in terms of the programming in the marketing.

Joe Dorrego

We can go to the next question, please.

Operator

And we will go to the line of Jessica Reese Erlich with Bank of America. Please go ahead.

Jessica Reese Erlich

Thank you. One question, it's a tough one. So maybe a multipart. Can you give us color on -- we saw the advertising numbers for this quarter. But as you look out to the second quarter and the third quarter with Super Bowl. I mean, given your rating in the upfront can you just give us some color on what's going on and you have a new advertising structure, which seems to be working well. And then anything you can say on -- any movement and discussions on the NFL negotiations would be great. Any color there?

Lachlan Murdoch

Great, Jessica. Those aren't tough questions. So I'm happy to take them. So thank you. Look, from an advertising point of view talk a little bit about Super Bowl in a second, but in the quarter, despite some of the comparison that Steve mentioned in his earlier comments, advertising has been quite strong, particularly across the entertainment and sports categories. We had a very successful upfront with entertainment pricing up double digits. And with sports pricing up high single digits, which we be very pleased to achieve. In addition, that one of the critical goals of our upfront was also to set the WWE pricing to broadcast pricing, not cable pricing and we did that very successfully. Categories in the market are -- a number of categories are incredibly strong. The streaming services with Disney, Netflix and Apple are recently being spending good money. The tech sector, Google, Microsoft, Amazon, very strong clients. Pharmaceutical has been strong, they have been moving some of the money between demographics. So from -- some money out of news, but on to -- on the sports and entertainment. And of course the financial services sector. Clients like GEICO, Progressive, State Farm have also been -- being spending good money and supporting us very well. So we are happy with where we're haven't mentioned news. News, pricing and the upfront was up mid single-digits. The news market as advertising market is softer, then in entertainment and in sport, we think that's because of some of the ratings deficiencies at our competitors that are some volume has been given away more cheaply than we would agree to. So we were finding the news market softer than sports and news. Pacing in the -- sorry in the quarter, our scatter pricing was up about 25%. There's very little scatter, so it's a good statistic. And going forward, it is lower than that, but still up -- well above the upfront, which leads us to the Super Bowl. We are well ahead of last year's or so -- we -- obviously we don't know last year as our competitor, but we're well ahead of our last Super Bowl, where we were selling at this stage in the year. We're sold out of all of our A positions, and we've really good momentum as we continue to sell the Super Bowl. So we are very confident that the pricing will be -- I don't want to give the number, but they're quite the pricing will certainly be the highest cost per 30 second ad in a Super Bowl to date. So we are very pleased with that. On the NFL, we don't have an update for you terms of where we are with negotiations. Obviously, we're engaged with the NFL everyday as we broadcast their fixtures. And -- but negotiations with the NFL in terms of a renewal of any of the packages has not started yet.

Operator

And next we will go to the line of Michael Nathanson with MoffettNathanson. Please go ahead.

Michael Nathanson

Thanks. I'm going to ask a couple around Nexstar. So you talk a bit about the accretion math behind the station swap? And do you move to Fox's retrans rate card right away? And is that higher than Nexstar's rate card? And then lastly, beside from rate retrains step ups, if there are any. are there any benefits you derive from getting in those markets. You called out the geographic footprint, but I want to know like what is that drive? What is that benefit you from changing the location of these markets?

Steve Tomsic

Hey, Michael, it's Steve here. In terms of the retrans benefit, it pretty much is a straight move from taking what they were paying us from those stations from a programming fee perspective and then assuming them into our retrans rates. That's a pretty immediate impact and synergy benefit of taking the station on to their balance sheet. So adversely hits our P&L from day one. Remember though, this won't close until later in the fiscal year. So you probably won't see much of that in fiscal '20.

John Nallen

And Michael, its John. Adding those key markets which were pretty well missed, the only one who's missing when you look at our footprint, particularly for the NFL and the other sports we are in, is just a big revenue upside for us. It helps on both national and a local level. And we achieved cost synergies to given the size of the station group that we have, we just would naturally achieve some cost synergies there.

Joe Dorrego

We can go to the next question.

Operator

Yes, sir. Next we will go to the line of Ben Swinburne with Morgan Stanley.

Ben Swinburne

Thank you. Good afternoon. Just on the buyback and sort of the balance sheet, you guys talked about a $1.5 billion minimum cash balance at the Investor Day. As you noted, you guys are over 3. And I think even after the ASR, the acquisitions you've announced the dividend you’re still not even spending your free cash flow this year at least up on our numbers. So I’m just wondering if you have any timeline in mind or sense of urgency about optimizing the balance sheet from a cash debt perspective? It's a not sort of way of me trying to figure out how fast you’re going to buyback your stock obviously. So …

Lachlan Murdoch

[Indiscernible]. But look the buyback is just one element of our overall discipline balanced allocation of our capital. So today we're pleased to announce that authorization and the deployment of the $500 million and I'd remind you that this announcement is right in line with the timetable that we had established. It's been well developed by our Board, established in the best interest of all our shareholders and with its adoption ongoing authorizations will be determined as an ordinary course matter with the Board. Now to deal with your question, specifically, while we fully expect to complete the authorization, we won't follow a formulaic approach to any current or future buyback deployment. It just doesn't make any sense to us. So we will invest our capital where we feel we can generate the greatest long-term return and our investment for our shareholders and amongst the various legs of disciplined and balanced capital allocation.

Joe Dorrego

I think we can go to the next question.

Operator

And we will go to the line of Rich Greenfield with LightShed.

Brandon Ross

Hey, guys. It's Brandon Ross. Its Brandon.

Lachlan Murdoch

Welcome back.

Brandon Ross

Thank you. First on FS1. So Disney took UFC from you guys and recently took Bundesliga, and I'm pretty sure they renewed with Formula One. So just -- can you help us with how you plan to fill the programming hole there? And then thinking about the Super 6 mobile game that you guys launched, which looks like an on-ramp to legalized betting for you guys. Can you give us any takeaways that you've learned so far there? Thanks.

Lachlan Murdoch

So let me just start with Fox Sports One. I would -- politely respectfully disagree with you in terms of sort of any of kind of programming hole. The Fox Sports One programming lineup is pretty impressive. Huge amount of college sports, huge amount of NASCAR, for instance primary home of our NASCAR programming boxing. And so we're very pleased with the programming on Fox Sports One. We will obviously look at continuing to strengthen that as opportunities that are fit with our program strategy emerge. So we are pleased with where Fox Sports One sits today. And I think our distributors are, if you look at the renewals across all of our affiliate renewals, I mean, on Fox Sports One continues to drive increases in affiliate fees and rate. So our affiliates agree with us. And sorry which was the question on ...?

John Nallen

On Super 6.

Lachlan Murdoch

On Super 6.

John Nallen

Yes.

Lachlan Murdoch

So, yes, Super 6 has been incredibly successful. If you look at the strategy of any of these Fox spend, if you look at what the strategy was in Sky in Britain and other countries where legalized sports, digital sports wagering has occurred. Having a free to play game at sort legalized sports, digital sports wagering has occurred. Having a free to play game at sort of the top of the phone to attract users is critically important, having with Super 6 and the success the very early and rapid success of Super 6, I think bodes very well to dropping from those users down into Fox Bet for pay game. So we are pleased with Super 6 and we are pleased with Fox Bet. I should mention and I didn't -- I was remiss not to mention this to in response to Jessica's question, already if you look just in the New York, New Jersey market really for the New Jersey sports betting there are already 13 active gaming advertisers. And so, one of the reasons we were quite pleased about this liberalization of sports wagering rules state-by-state is not only do we think we will gain tremendous long-term value through Fox Bet, but also just from an advertising point of view, we are now seeing several million dollars year-to-date already start to flow through in only the very limited number of states where sports wagering is legalized.

Joe Dorrego

Operator, we have time for one more question.

Operator

Okay. And that will be from the line of Jon Hollick with UBS. Please go ahead.

Jon Hollick

Okay. Thanks, guys. Maybe on the affiliate side, I guess, did 4.3% growth this quarter. I think in the last you guys said 7 percentage sort of in the mix. Obviously a lot of moving parts. Maybe talk about -- a little bit about the renewals you guys have talked about when that you should see that hit -- impact the P&L? And yes, that 7% still a good guide for the year? Thanks.

Steve Tomsic

Hey, Jon, it's Steve. I think -- that's around the mark. You should see the pattern here and it's a similar pattern to what we saw last year, which is September quarter and December quarter pretty flat for us, and you should see -- so you should expect December this year to be a similar kind of performance for us. But then with renegotiations that we've just done, which Lachlan outlined in his opening remarks, the right resets that we get out of those renegotiations really begin to kick in at the start of the calendar next year. So when you look at the first half, second half growth rate, the growth rate will absolutely be skewed to that that second half and in particular at third quarter, where you will see the benefit of those rate resets really kicking. Again, it will be skewed towards retransmission growth as against cable affiliate. But we feel pretty comfortable where we are after the full-year and also that $2.65 billion target for calendar '22.

Joe Dorrego

At this point we are out of time. Thank you everybody for joining today's call. If you have any further questions, please give Dan Carey or me a call. Speak -- talk to you next quarter.

Operator

And ladies and gentlemen, that does conclude our conference call for today. Again, thank you very much for your participation and for using the AT&T Executive Teleconference. You may now disconnect.