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Simon Property Group, Inc (SPG) CEO David Simon on Q3 2019 Results - Earnings Call Transcript

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Q3: 10-30-19 Earnings Summary

Press Release SEC *10-Q* *Slides*

EPS of $1.77 beats by $0.06 | Revenue of $1.42B (0.54% Y/Y) beats by $22.87M

Earning Call Audio

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Simon Property Group, Inc. (NYSE:SPG) Q3 2019 Results Earnings Conference Call
October 30, 2019 8:30 AM ET

Company Participants

Tom Ward - SVP, IR

David Simon - Chairman, President and CEO

Rick Sokolov - Vice Chairman

Brian McDade - CFO

Adam Reuille - Chief Accounting Officer

Conference Call Participants

Craig Schmidt - Bank of America.

Christy McElroy - Citi

Michael Bilerman - Citi

Steve Sakwa - Evercore ISI

Caitlin Burrows - Goldman Sachs

Jeremy Metz - BMO Capital Markets

Alexander Goldfarb - Sandler O'Neill

Rich Hill - Morgan Stanley

Nick Yulico - Scotiabank

Linda Tsai - Jefferies

Ki Bin Kim - SunTrust

Vince Tibone - Green Street Advisors

Michael Mueller - JPMorgan

Operator

Ladies and gentlemen, thank you for standing by. And welcome to the Third Quarter 2019 Simon Property Group, Incorporated Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Mr. Tom Ward, Senior Vice President of Investor Relations. Please go ahead sir.

Tom Ward

Thank you, Sydney. Good morning, everyone, and thank you for joining us today. Presenting on today's call is David Simon, Chairman, Chief Executive Officer, and President; also on the call are Rick Sokolov, Vice-Chairman; Brian McDade, Chief Financial Officer; and Adam Reuille, Chief Accounting Officer.

Before we begin, a quick reminder that statements made during this call may be deemed forward-looking statements within the meaning of the Safe Harbor of the Private Securities Litigation Reform Act of 1995. And actual results may differ materially due to a variety of risks, uncertainties and other factors. We refer you to today's press release and our SEC filings for a detailed discussion of the risk factors relating to those forward-looking statements. Please note that this call includes information that may be accurate only as of today's date.

Reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures are included within the press release and the supplemental information in today's Form 8-K filing. Both the press release and the supplemental information are available on our IR Website at investors.simon.com.

For our prepared remarks, I'm pleased to introduce David Simon.

David Simon

Okay. Good morning. We had a very busy and productive quarter, and very pleased with our financial results. Results of the quarter were highlighted by funds from operation of $1.081 billion, or $3.05 per share. We achieved this consensus this quarter even with certain unanticipated retail of bankruptcies, reduced property level NOI from the acceleration of properties undergoing significant redevelopment such as Northgate compared to our budgets.

Reduced overage rents from tourism spending, including the negative impact from the continued strong U.S. dollar and lower distribution income from certain international investments. We continue to grow our cash flow and report solid key operating metrics.

Comp NOI increased 1.6% for the third quarter and total portfolio increased 1.3% for the quarter. Portfolio NOI was negatively impacted by 50 basis points due to properties undergoing significant redevelopment and the unfavorable FX impact due to the continuing strong dollar.

Year-to-date comp NOI has increased 1.7%. Retail bankruptcies negatively impacted our comp NOI by over 100 basis points in the third quarter. As a reminder, our Japan Premium Outlets and designer outlets in Europe produce over $1000 in retail sales per square foot, and all of our 26 international outlets excluding Canada, which is in our basically North American portfolio generated comp NOI growth of 6.3% on a constant currency basis, which as a reminder is not included in our comp NOI, and if you did that, we'd be well over 2%.

Retail sales momentum accelerated in the third quarter. Reported retail sales per square foot for malls and outlets was $680 compared to $650 per foot, an increase of 4.5%. Leasing activity remains solid, average base minimal rent was $54.55. The malls and Premium Outlets recorded leasing spread of $12.10, an increase of 22.2%.

Our malls and outlets occupancy end of the quarter, 94.7% an increase of 30 basis points compared to occupancy at the end of the second quarter. And again, tenant bankruptcies affected that by roughly 60 basis points. On an NOI weighted basis, excluding our international outlets, which I discussed above, we reported were as follows.

Reported retailer sales on an NOI weighted basis is $867 compared to $680 per foot. NOI weighted sales growth was 6.1% year-over-year compared to 4.5%. As mentioned, occupancy is 95.8% compared to 94%. Average base minimum rent is $73.14 compared to the $54.55 number and our weighted comp NOI growth would be 2.7%.

We started construction on new Premium Outlet in Tulsa, Oklahoma scheduled to open in the spring of 2021. Construction continues on four other new international outlet developments, Malaga, Spain, Bangkok, Thailand, West Midlands England, and not to forget Normandy, France, which we expect to be a terrific new outlet center.

We had a very busy quarter in terms of completion of redevelopment projects, in particular, expansions on several of our high performing international outlets. We opened -- including two in South Korea and one in Vancouver out -- Vancouver designer outlet in Canada.

During the quarter, we started construction on our significant redevelopment at Tacoma mall. And at the end of the third quarter, we have 30 properties across all of our platforms in the U.S. and internationally with the share of the net costs of approximately $1.4 billion. And as a reminder, this is being funded by our internally generated cash flow.

We announced and as you are aware, we closed on our new venture with the Rue Gilt Group to combine our shop premium outlets marketplace with RGG’s highly successful Rue La La and Gilt creating a new multi-platform dedicated to digital value shopping. We're very excited to expand our omnichannel capabilities in partnership with our RGG, which is a very profitable company with significant sales.

Our industry leading capabilities in the physical outlet space combined with RGG’s exceptional e-commerce success will give shoppers and enhance access to the world's best brands and most compelling deals, both online and in-store. You saw the announcement this week regarding strategic investments. I won't belabor that other than we're very excited about the transactions that we're investing in Lifetime, Fitness, Pin Stripes, SOHO, PARM, Sports Illustrated, Allied esports. You can now for those of you that really like gaming, please enter the Simon cup. We encourage you to do so. You'll have a lot of fun, but I will not be funding the analyst, it's in fact one of you win.

Look for us to open Sports Illustrated, Sports Gaming Restaurants in the future. So now balance sheet. We completed three tranche senior notes, totaling $3.5 billion at the coupon rate of 2.61%, average weighted turns of 15.9 years are offering marked industry milestones prior to our issuance no real estate company had ever issued 1.25 billion of 30-year bonds in a single issuance, and the interest rate for each of the tranches was the lowest achieved by any real estate company for similar notes.

We in October completed our four early redemptions of our senior notes, totaling $2.6 billion and during the quarter, we repurchased one point 1 15 million shares. After the bond redemptions, our liquidity stands at 7 billion, balance sheet’s in great shape. We announced a dividend of $2.10 per share, a 5% increase year-over-year. We’ll pay $8.30 per share in dividends in 2019. That's an increase of 5.1% compared to all of last year. We've grown the dividend more than 8% over the last few years. And as a reminder, our annualized dividend yield is greater than 5% which is more than 350 basis points higher than the 10-year Treasury which is it at basically at a record spread were more than 1.5 times covered in terms of our dividend coverage by our FFO, and we've paid out since we've been public now well over $30 billion, a lot of dough.

Now just to update finally. Guidance is $12 to $12.05, which is an increase of $0.03 from the bottom end of the range after giving effect to the $0.33 debt extinguishment charge as we outlined for you when we did our notes deal a month or so ago. So that's it. We're ready for questions.

Question-and-Answer Session

Operator

[Operator Instructions] And our first question comes from the line of Craig Schmidt with Bank of America. Please proceed with your question.

Craig Schmidt

Oh great. Thank you. I just wanted to touch a little bit. I mean you've been very active in terms of developing your experience for tenants for your assets. And I just wonder, how high could you be taking this penetration in the next say two or three years?

David Simon

Well I would say to you the level of interest and new retailers in this category continues to amaze us. They actually are very interested in our real estate. So despite the negative narrative that you see from the general media, they all want to locate in the mall, and in our real estate, and I think we're just at the beginning of that. So I continue to expect us to redevelop our assets with those kind of retailers significantly over the next decade.

Craig Schmidt

Yes I was just thinking about the Southdale where you replacing a appendix with the lifetime assets. What kind of lift could that give to that center?

David Simon

Significant. I mean, they -- they'll have 5000 members. They're great for the community. They are without question the best operator of a lifetime resort. In that whole industry they blow everybody away. They're great partners, good friends. And we expect continued growth there. They reinforce our real estate as a place for the community. And I couldn't be prouder working with them side by side and as partners.

They also have. They also have a world class shareholder base. So that's as we create kind of the next generation of our company. We're associating ourselves with world class entrepreneurs, partners, investors. We could sit here and talk about selling an outlet for a million dollars, but I encourage you to think about our company differently.

Craig Schmidt

Okay. And just lastly, I know we've touched on this. You're saying that human resources and permits are probably more of a generator than your access to capital. But then are you thinking you might have to accelerate some of your capital spend in the next few years, just given the redovs and developments you're doing, and you seem to continue to be on pace for whether it's the new developments and in the European outlets etcetera.

David Simon

I think, it's going to be relatively you know within you know margin of error relatively consistent with what we've been doing the last couple of years, correct. So we're spending a billion to a billion and a half per year, that's not going to jump up to two and a half billion just because of what I would you know because of some of the constraints that we have. Not financially, but just you know execution. So I would expect us to continue to be in that range over the next few years.

Craig Schmidt

Okay. I appreciate it. Thanks.

David Simon

Yes sure.

Operator

Thank you. And our next question comes from Christy McElroy with Citi. Please proceed with your question.

Michael Bilerman

Hey it’s Michael Bilerman here for Christy. David because you know I just picked up our gold cards, but I don't think we're going to win. Our kids probably have a better chance of doing that than we do.

David Simon

Again, I would, get one of your kids to enter it and then they may have a better shot than you Michael.

Michael Bilerman

Exactly. If you think about all these investments that you're making, a lot of the consumer facing brands and you talked a little bit about you went through the list on the call. You know as reported in the press, the full House, SOHO House one was about a$100 million. How should we think about the totality of capital that you have out today across all of these different investments?

If you look at the balance sheet, I'm not sure if it's in the other assets category, but if it is, that that totality is gone from 1.2 billion up to 1.8 over the course of the nine months. Can you give us a little bit of a sense of the total money that you've put out across all of these different exciting adventures?

David Simon

Yes, First of all, just to clarify the increase in the other assets is basically because writing up the leases to value. I mean that's the biggest because of the new accounting rules. That's the biggest change. Okay, so you can't go from that number to what we've invested by any stretch of imagination. So that's number one.

Number two is to the extent that we reach materiality. We're obviously going to have to disclose that in our financial statements in our Q and our K. So the other assets is just so you know is basically the increase in those -- for what. And it's, driving up and that's $525 million roughly when you have to write up your leases to market with the new accounting rules. Okay.

So we have not reached the, I would say it this way, we certainly have not reached our investment, our outside investments to the level of materiality. That's the first point. Second is I look at it, our embedded, and we basically reinvesting our embedded gains that we have in Aero in ABG and some of the other Venture Group investments into some of these things. So right now we're playing with the houses money and it's not material. I don't think the SOHO House number is right. So, just I'm not going to go through each one at each level, again I encourage everybody try to think about us a little bit differently, but what we're doing is we're making these investments to learn. So that we're going to be number one a better company.

Two is creating investments with great partners, with great entrepreneurs, with great shareholders, I think is going to exponentially increase our opportunities both in our physical and ultimately in the online world. And the level of activity that we are seeing it's just very encouraging is all I can tell you, I mean I think where we're at the epicenter of kind of physical online world, Entertainment creating kind of the next generation destination center and it's, we're all trying to put it together, but we're not. At this point simple thing to think about is make sure you understand, you know that on the deferred assets. Number one.

Number two is make sure you understand we're not at the materiality level. And number three is, it's basically we're rolling the embedded gains. The way I think about it as our role in the embedded gains in our future investments. But we're also making these not as a learning experience because who cares about learning. We're doing it to make money and I expect all of these to pay off in the future.

Michael Bilerman

David, you've obviously been critical to the company's success for well over 25 years. You signed your last retention employment agreement back in 2011 that expired back in July. Where do things stand in terms of you going without an employment agreement at this point, or is that still being worked on?

David Simon

I have no employment agreement.

Michael Bilerman

So you'll just be an employee at will, with everybody else.

David Simon

That's the way it's shaping up. Yes, that’s the answer.

Michael Bilerman

Christy has a question too.

Christy McElroy

Hey David, good morning. You mentioned the 100 basis point impact I think to comp NOI from bankruptcies in Q3. Just to try to get a sense for the impacts that have already incurred been incurred in Q3, versus what could be incremental in Q4. Just with regard to the Forever 21 bankruptcy filing, was there any reserve in the revenue line and impact to same store for non-payment of prepetition rent? And have you seen any impact thus far from Barneys or Kitchen Collection at this point?

David Simon

Not at this point. I mean, we don't really go through each and every retailer. I don't think it's fair given the size of our company for us to talk about specific retailers. I want to differ on that. But the reality is we have these we've updated our guidance, we've narrowed the range and all of that kind of embedded in that. So you know, I think the important point is, a number of these were unanticipated from our budget, we told you what our budget was at the beginning of the year. We don't update our comp NOI as you know.

And we would have well outperformed it. We still, you know, the biggest variable, we've got right now is still the overage rent in our tourist centers. And we'll see how the fourth quarter shakes out to me that's the bigger variable than anything else, but all of kind of all of the noise that is out there from certain retailers is kind of embedded in our guidance for the year.

Christy McElroy

Okay, thank you.

David Simon

Sure.

Operator

Thank you. And our next question comes from Steve Sakwa with Evercore ISI. Please proceed with your question.

Steve Sakwa

Thanks. Good morning. I guess David, maybe you or Rick could just talk about sort of the leasing pipeline and the momentum and as you think about 2020 and kind of where you sit in terms of leasing for next year and just the tenant demand. How would you sort of describe the environment today versus say a year ago, and how do you sort of feel like you're shaping up on 2020 expirations?

Rick Sokolov

Steve, it’s Rick. In fact, David and I have just slogged through twelve hour days going property by property, and frankly the environment is still strong. There are a lot of tenants that want to access our properties across all three platforms. We are doing a whole lot of leasing. So far this year, we've got almost 10 and a half million square feet. You see our rents are up. Our spreads are up, and in a lot of instances spaces that we're getting back, we're putting in more productive tenants at higher rents.

David Simon

I would just say look, next year -- I think -- we obviously you know it does take time. We did where we are having a high bankruptcy year. I mean, there's no denying that. I mean you know I mean it were so, but as we put together our plan for next year, I think we'll be --

I think we'll be okay. And we're hustling. We're finding new tenants. The biggest setback that I see for next year is not so much replacing the bankruptcy, but really getting our redevelopment pipe open. We've got it. We have taken a step back this year, a reasonable level of cash flow. Forget whether it's comp or whatever, however, you want to describe it.

But we've taken a reasonable step back this year because of taking down properties to redevelop, and you know and we are -- we are never a company that does. I've seen so many companies throw away the year and say, well we'll get back to 2021, we'll get back in 2022 we do not do that.

So the reality is, we're going to come in with comp NOI that’s going to be not so bad, it’s a little variable as I have described repeatedly, with our you know the tourism slowdown, which you know we pointed out six month – three, six months ago, and now you see it across the board for both retailers and companies that are -- had exposure to tourism and the strong dollar. But we are still going to deliver comp NOI growth that's not going to be that, you know is one of my heroes would say not too shabby. Next year, we've got a lot of – we don't give guidance until as you know end of January. I think it'll be fine even with, even with the bankruptcies that we've got to lease up, and the fact that we're still in a massive redevelopment number.

And that stuff the redevelopment takes time, and we are in that we are in that business. We're not in that -- but we don't have throwaway years, Steve you know that about us.

Steve Sakwa

No. Look I appreciate that. I guess again, not I guess trying to delve a little bit onto the redevelopment and just thinking about sort of next year and some of the headwinds you're taking down Northgate this year, I mean, do you sort of think about, I guess those types of projects that have negatively impacted. Do you expect those to continue? Number one.

And then as you just sort of think about the list of bankruptcies this year, and you sort of think about possibilities for next year. Does the list of potential bankruptcies next year look a lot smaller than maybe it did a year ago?

David Simon

No, I think -- listen, I think we're flushing through most of the dues. Okay. So, I actually think you know now who knows, I mean but I think we're kind of reaching bottom and 18 on that stuff or 19 on that stuff. It's rivaling what happened in 17. So it's not like something that we haven't experienced before. But we know what we have to do, and again, I don't want to get ahead of our guidance, but I don't think, I don't think you're not going to see a dramatic, Oh my God from us. Okay, when we present our plan.

Steve Sakwa

Okay. Thanks.

David Simon

Sure.

Operator

Thank you. And our next question comes from Caitlin Burrows with Goldman Sachs. Please proceed with your question.

Caitlin Burrows

Hi. Good morning. Your third quarter same-store NOI growth of up 1.6% seems like it's the best in the mall sector, so I was just wondering if you guys could go through any thoughts you have on how you're able to differentiate yourself on a scale helping the mix of property types or something else?

David Simon

Well, I mean I think it's not. If you look over a long period of time, I mean, I think we've done that for a number of years. So I don't really. I don't know, I mean it's a function. We have good people, good assets with diversified not tied in one particular regional place. And again I just want to know the fact of the matters that we put in our international business, which we really don't have. We thought we're thinking about it, but we don't want to confuse people.

So, I mean we'd be well over 2% comp NOI growth. And don't forget about our international business, its 26 assets again exclude Canada because we have put Canada in our premium outlet business from the get-go. So I don't know I just, you know, it's, we're focused on the business and running the day to day, the best that we can. So I don't really want to compare contrast. But I think it's not, it's not, this isn't like a first quarter, this isn't the first time we've done that, I guess is what I want to say, right Rick?.

Rick Sokolov

Exactly. Listen, we grind every nickel everybody pays attention to every aspect of our business. On the income side and the expense side, and we've been doing it for a very long time, very consistently and we intend to continue to do it.

David Simon

Yes, I can give you here is the culture. So we go through every asset while we're planning, we were here till 9 o'clock last night. We're not sitting here, planning, how we're going to communicate. Maybe we should because sometimes we garble the message. While all the time, maybe.

So we've been in the last two days going through, this is we're going through our mall portfolio today than next week we go through the international business and each category have offered Bilerman to come here and see it. But Ward telling me not to do that again. But the reality is we are doing that nine. We did it all day Monday to nine. We do it all day today, we're right after this call. We're doing it. There is no downtime. We're not planning how to communicate what we're doing, we're just doing and that's the culture..

Caitlin Burrows

Got it. Okay. And then I was wondering, maybe if you guys could talk about the new outlet in Oklahoma that you're working on. Just what pre-leasing has been like, and what other retail options kind of are in the area?

David Simon

Well we have a very good mall there. It is the -- you know I mean not not to dwell too much on demographics, but it's the largest trade area without a without an outlet center. And we've been working on it for a while and you know based on our success in Denver and tenant demand, we feel extremely confident we're going to be able to liberate for a good return in a -- in a very good market.

I mean Tulsa is a very good market with good income demographics, and I think it's kind of a. It's really our bread and butter. We don't honestly, if we have to pre lease, we're not the kind of company we need to be. So we don't really pre lease so to speak, but we're very confident then that we'll be able to deliver the product that we want to deliver.

Caitlin Burrows

Okay,thanks.

David Simon

Yes.

Operator

Thank you. And our next question comes from Jeremy Metz with BMO Capital Markets. Please proceed with your question.

David Simon

Hey, good morning.

Jeremy Metz

David, just wanted to go back to Michael's question a little bit on the Simon Ventures and some of these other investments you made, and just hoping you can expand upon your last comment in response to the hedges, in terms of how do you really think about measure returns for some of these, just given some clear tangential benefits are you obviously looking to pull from doing this?

David Simon

Well, just to be clear. We expect these returns to be similar to what private equity type returns and they must stand on their own, but we're making them because we think there is potential to do business with that partner. So there are two separate decisions. One is, for instance in lifetime it's very simple, we looked at a multiple of EBITDA.

We looked at their growth. We looked at their future. And we're very confident that we're going to get a multiple of our invested capital. And all by the way, there are wonderful partners and we're going do arm's length business with them going forward. And to me that is a perfect scenario of a win-win.

So the investments must stand on their own. They must be and we look at them through a private equity lens much like everything else we've done. At the same time, if we can do business with them on an arm's length basis that's the gravy. And that's basically how we look at it and again. And we expect that we, by the way we've. Yeah, we've had some write-offs in our venture group which is a little. That venture groups, a little more at the early days of investing. Not in a round not kind of either BC round, BC or even DRAM.

But the ones that I've announced here this week are ones that are basically well-established companies. So that's -- this is in many cases growth capital or just solidifying our relationship and we think it's a good investment.

And again these aren't at the point of materiality. Again I want everybody to put the size of our company in perspective, but we are going to make money on those investments, number one. Number two is, we're going to learn a lot because a number of these companies are leaders are in their industry, and we're not too old. Rick and I were close. But we're not too old to learn. And I mean not to diverge and we were up at the RGG Board meeting last Thursday or Friday. I can't remember, but I mean the amount that we are going to learn, and in addition to the opportunities that we had as a partnership going forward.

But the amount, we're going to be a better real estate operator, and this is what I need everyone to try and appreciate. We are going to be a better real estate operator. The more we know e-commerce, okay and the more we know how they integrate.

And have been partners with one of the best entrepreneurs, frankly ever in the e-commerce space, one of the early pioneers in that team. I mean just separates I think ultimately what we're going to be able to do. And again, I can't -- I can't say it's going to mean, and it's and it's a profitable company and they do several hundred million dollars of sales and all this other stuff, but and we wouldn't have done it had we not felt like the company was worth it. But the reality is, we're going to. And it's going to accelerate our marketplace efforts, and we're going to be better in the real estate, we're going to be -- we're going to make money in that investment, but we're also going to be better real estate operators, because of that investment.

And we're going to know our retailers better, and we do already. But this is going to take us to another hopefully to another level. And that's -- that you know in technology and how you integrate it with the physical properties, and all you know and with our retailers, I think it's going to be very very interesting to see how it all evolves.

Jeremy Metz

Okay. Great, thank you for that. And just a follow up I have is just on the densification projects. You remove the disclosure from the sub but regardless, you obviously have a number of projects going on that are going to deliver here and have been 2019 but really next year and beyond. I just wondering if you could talk about the pipeline, what's the total dollars at a gross cost basis today that have under way.

And I guess what's beyond, what was last disclosed I guess last quarter. How much additional opportunities are you working on currently given some of the other need here for capital and it's a bit of a different skill sets, I'm assuming there is a human capacity to how much you can really have going on at any one point along these will that.

David Simon

Yes, Don't read anything into the fact that we took that out. So here's why we took it out and we can put it back in.

Number one, if you are under construction, and we have approved it's in our detail, its i.e. it's already in the detail. That's number one. Number two is, we are also outlining other stuff that's being done on the peripheral of our properties that we aren't doing that I thought was. I didn't want to mislead the market, somehow, even though [Indiscernible] that it wasn't our projects. So we took that out.

And three is the pipeline is so big, we weren't having, we weren't doing the right discipline of, you know what's in there, because it is a, big pipeline. So we just felt like it's probably better to communicate it when it's been approved. So the pipeline is actually, I didn't want to just lift like we'll be at schedule that says, here's all the densification we're going to do. I'd rather just put it in the 8-K when we actually are doing it. That's the nature of our company as opposed to outlining potential stuff. So the pipeline is continues to be very big Northgate.

The Northgate continues to evolve. It's a $1 billion project you know with office, residential, all sorts of mixed-use stuff. So you know we have the Houston Galleria development again that could have been on a pipe, but we're not quite ready to start construction. So you'll continue to see what's the number over $2 billion to $3 billion. If I had that we had put a number on it, but we'll, I think we'll just, it is so much ingrained in our business now. There is no reason to separate it. It's just part of our 8-K that you'll see as we approve deals. So I look at it as an evolution or sophistication in our ability to execute. So it's just part of our portfolio as opposed to this is a separate distinct schedule. Doesn't need to be anymore because it just part of the nature of what we do.

Jeremy Metz

Got it. Thanks for the time.

Operator

Thank you. And our next question comes from Alexander Goldfarb with Sandler O'Neill. Please proceed with your question.

Alexander Goldfarb

Hey, good morning out there. So two -- two questions. First…

David Simon

Alex, why do you say good morning after all the time? You think we’re that far out there?

Alexander Goldfarb

Well I -- you know I, it's just a standard hello greeting. So anyway now you're asking me to think on my feet, which is tough. I said sorry about the questions. First, on the debt side, obviously you had strong demand on your unsecured bonds, you priced pretty tight the Apple. But maybe, you can just talk about what's going on in the mortgage market. You know some of the folks that we've spoken to have said, you know the lenders are either pulling back, or trying to pare exposure or tightening terms, lowering LTVs. I mean, we all saw you know the LTV and the underwriting for the Norwalk SoNo mall.

So maybe you can just give a sense of what's going on the mortgage side of the business, and whether it's by asset type, is it across the board or is it certain productivity levels you know of malls etcetera just a bit more color on there?

Brian McDade

Good morning, Alex. It’s Brian. So look I think from the mortgage perspective, this year has been a relatively light year from a maturity profile perspective, but we're much more active next year. We are already in the market on some of those assets, and are receiving solid indications back in line with what our expectations are. Look I think, at the end of the day we're not seeing any reduction in appetite, but certainly that's a function of our asset quality. And so, we expect that market is going to be there. I understand that there's a few deals that are out there now, that will get priced here in the next six to eight weeks, which will further drive down price discovery in that marketplace.

David Simon

Yes. And look I think, we would we reaffirm Brian's points, but also just add a couple of things. Number one is sponsorship in and again that said, I'm not reflecting any other deals that are out there, but sponsorship isn’t the case for everybody. Sponsorship is critically important. That's number one.

And the balance sheet and that's what's great about where we stand is that, we don't -- we can do all sorts of different financings. We're not tied to the secured market or the unsecured market. And that again is a material separator, which I mean we didn't harp on it again today because you know when Tom says this first thing, he usually puts it in. I'm like -- I think people are tired of talking about it. So, but I would think that and the proof is always in the pudding, which the pudding was pretty damn good a month ago, okay.

So the reality is we do have this separator in our real estate peer group, because we have the ability to go in and out of the markets pretty effectively, whether secured unsecured etcetera.

Alexander Goldfarb

Okay, that's helpful. And then the second question is on all the new investing you're doing the Sports Illustrated whether not you do Forever 21. All these things as you underwrite them how is your tolerance for sort of the time to get to cash flow positive. Is it the same as you would underwrite for real estate meaning or do these projects take longer or do you allow yourself more to let these things go before you decide ultimately to just kick the venture out and move on to the next. Just curious how you're underwriting is different in the time it takes to profitability versus the non-traditional retail ventures versus traditional retail real estate?

David Simon

Well, I think it really depends on the category and what the, -- I mean the reality is, all these companies have comparable. So some case there are valued at 5 times cash flow. In some cases they're value to 20 times cash flow. And it's really a function of what we see in the future and where the market is. So we don't really get ahead of ourselves, one way or another on that.

And then like I said, I think we look at it similar to what you know with respect to Simon Venture Group, what kind of the venture people look at it, we look at it with the same lens and in the private equity, I think we do the same thing. And again, we have this extra soft in the sense that we're expecting to get other benefits out of it, which are not necessarily in our numbers, but which is important to us.

And I don't want to talk about retailers specifically and, but we are not. It just so everyone, it's clear we're not involved in the one retailer, you mentioned about investing or doing anything on that front. I mean I think it got mischaracterize. Last call, so I just want to be clear on that, we're not involved in any retailer that is in BK in terms of us looking to invest. So just to be clear on that.

Alexander Goldfarb

Okay, thank you David.

David Simon

Sure.

Operator

Thank you. And our next question comes from Rich Hill with Morgan Stanley. Please proceed with your question.

Rich Hill

Hey, David. So look, I think the reason that you're differentiating yourself is you're playing a lot more offense than maybe some of your peers who are playing defense. So with that in mind, I have, I have one question and one follow up to that.

Look 7% to 8% development yields to quote you not too shabby in this world backdrop of slow growth and low rates. Are you seeing, maybe even more demand from sovereign wealth funds, other foreign investors to maybe partner with you on your developments with an eye on the long term?

David Simon

Well look, I think it's a really good question, Rich. And you know it's funny. Most of those folks I've got to be careful here, so I don't know. I don't mean to you know, I mean right now let's face it. We're a contrarian investment, okay. If you look at our multiple compared the kind of most of the other non-retail real estate confidence, and if you look at cash flow stability or multiples or however you want to slice and dice it, we're you know in today's world we're contrary. And there are not frankly a lot of contrarian investors, there's more herd mentality. There are some very sophisticated sovereign wealth's that would love to partner with us on new opportunities.

And again, when I say new opportunities, you know existing, existing, existing real estate that they may have and they want someone like us to do that. We're starting those discussions very, very early early early days just to get to know them. But the reality is not a lot of contrary investment and for whatever reason we are considered a contrarian, but you do make a good point. We're on the offense, and the fact that matters, we've been so busy and excited about the both the redevelopment, the densification and some of the new ventures that we've had, that that's that's perfectly fine for us, so we're going to continue to run the business.

So I do think at some point there's a -- there's that there will be a swap back to reality. But you know those kind of investors would rather buy certain assets types that are three and a half yield. I won't name names as opposed to you know six plus and Class A regional malls. That's been historically a bad debt overtime. And you know who am I to say, I'm smarter than those other guys. But listen, I'm willing to -- I'm willing to play the game and see who's right in the long run.

Rich Hill

Got it. And so, one follow up question to that. You look at – you have a tremendous amount of free cash flow that you're spinning off, or a super strong balance sheet. Why wouldn't you just ramp up CapEx as a percentage of your operating cash flow right now, and spend even more money to redevelop your properties for the future and how -- I guess, I guess the question I'm ultimately asking is, you'd said CapEx is going to be relatively range bound. Why wouldn't you play even more offense than what you're playing right now?

David Simon

Well it goes back to a little you know. I mean, it is literally some of the big projects we have. We're still constrained by getting approvals. So we have two or three big ones that are in the approval process, just to name three that jump out at me. Brea, Orange County, Stoneridge which is in the East Bay Area of California, King of Prussia. So you know we -- we don't have the approvals yet to start. That's the biggest limiter. And you know I don't. On the -- and then we are building office and the reality is, we don't. That's the one area, we're not going to build speck on. I mean, we're depending on the side. We're going to want some lead tenants. We're not -- we're not foolish.

So but we think we have really good product that's differentiated in the markets that we're contemplating it. But getting the lead tenant, does take a little bit of time. So I think we're -- you know we're pretty aggressive, but you know and Northgate, it's a great example. I think Northgate, we could have been a little more methodical, we had it. Just to give you a -- you know it depresses me a little bit. But just to give you an order of magnitude, we had roughly we had in that in our numbers this year to do about 15 million of NOI. And it's going to do five, roughly. Yes I get five. Come on, I know these numbers. And that's because we accelerated, we basically decided let's just get on with our lives and tear them all down.

Okay. Happy to be out there when the mall is coming down believe it or not. So we are doing it. It's just I think we're moving pretty fast in some of these areas. We're not going to be you know if we are building office, we're not going to get over. I mean, it's 100,000 square foot QDC [ph] building that's one thing, but we're not going to get over our skis too much on some of the stuff to make sure we're in good shape.

Rich Hill

Got it. That's helpful David. Thank you.

David Simon

Sure. Sure.

Operator

Thank you. And our next question comes from Nick Yulico with Scotiabank. Please proceed with your question.

Nick Yulico

Good morning. Sorry if I missed this. But could we just get the bankruptcy impact on same-store NOI growth this quarter? I think, it was cited as about a 100 basis points in the first two quarters this year?

David Simon

It's a 100 year-to-date and it was 60 roughly 60 in this quarter, correct or not?

Brian McDade

A 100 for the quarter.

David Simon

100 for the quarter, I’m sorry. 100 for the quarter.

Nick Yulico

Okay. Thanks, and then second question is just going back to Forever 21, we looked at the bankruptcy filing for them. You only have one existing store on the store closure list. That rose about feel, this -- it excludes all the stores in development, which will not be opening. So I guess, that store closure was -- I mean, should that give us comfort. There is one store in there? Or should we be expecting that over your 98 stores with them, either you already gave rent release or you're planning to over the next year?

David Simon

I guess, I don't. We don't want to talk about specific retailers. Well I think, there we’ll have to see how that. That that bankruptcy evolves. I mean, there are more stores that they rejected that or about to reject that they never opened in. Again, I don't want to get into the nitty, gritty detail, but in that particular case you brought it up. It was Riley Rose. We had a handful of those that at least is executed that won't be open.

So whether you know they weren't in our initial numbers in any of them. So you'll see some of those come out one way or another, but it's never been an arts until they open, it's not in our not in our document I guess or 8-K. But we'll see how it goes. I mean, I can't

-- I can't, I'm not you know and I want to be very careful here, so I'm not involved in it. We're – we’re negotiating kind of the future like every other major landlord and we'll see how it all shapes out at the end of the day.

Nick Yulico

Okay. And I hate -- I guess, I'm just trying to tie it back to the bankruptcy impact year-to-date. It was 100 basis points. I'm assuming there was not much in that from Forever 21, unless you've already renegotiated leases. And it's almost 1.5% of your base rent. So as we look forward over the next year, it's kind of feels like that bankruptcy impact to Forever 21 by itself could be similar to your overall bankruptcy impact this year. Is that fair?

David Simon

Well I think you'll see a bigger, what we'll know more in 2020. It's not going to be material in 2019. And I think the focus is going to be really 2020, what that that group is able to do going forward, which is out of our hands, and we're going to have to wait and see. We'll have a – again, I don't want to get into particular tenants, but we'll have that, that's our view of what happens with that, and other bankrupt tenants will ultimately be in our 2020 estimates. And that's the way for us to look at it.

At this point, the materiality of any of these guys and in the next year end is not in my opinion going to be material.

Nick Yulico

Okay. All right. Thank you.

David Simon

For you, it might be once that might be what, I know, okay. But it's -- we did update our guidance and what we know today about the bankrupt tenants is in our guidance. And that's the important thing. And then our view of you know some of these bankrupt tenants and what their plan is for 2020 will be in our 2020 guidance. And that's the best way I can answer that.

Nick Yulico

Thank you.

David Simon

Sure.

Operator

Thank you. And our next question comes from Linda Tsai with Jefferies. Please proceed with your question.

Linda Tsai

Hi. Just following up on what you were just talking about. So with some of these bankruptcies having been unexpected in 2019, as you look out to 2020, do you think a base case of 2% NOI [ph] growth would still be achievable?

David Simon

We give our guidance at the end of January. Do we have a date yet? Not yet. We get word -- we're waiting to see if the Colts make the Super Bowl, because we want to -- we want to make. We want to. We want to work it around that day, around that day. That was a joke, but no, no I actually think they're a pretty good team. But where we give that all of that will be reflected in, and we've never given 2020 guidance, and you know I mean people have estimates all over the place. So I don't, I don't really opine on a one way or another.

Linda Tsai

Okay. And then, in terms of SPO.com How are you and Michael Rubin thinking about its value proposition. You know how much crossover would the product you provide online through SPO.com is available through other online distribution channels? And then, do you have any sense of the price differential on SPO.com and how it might compare with other discounters like Ross or T.J?

David Simon

Yes, look this is a complicated -- that's a complicated question, and I think, I think the important thing is, we both think and not just us, but you know our SPO team and the existing RGG team couldn't be more excited about the future opportunities together that we have. I think their team is unquestionably excited. I would not. You know, I think it's going to be a great partnership for our company and together, we're going to do a lot more both in terms of growing their existing business and then the partnership taking the origins of our business and extrapolating that going forward.

But it is early days. We're very committed to making this exciting, and between all of our relationships with the brands, and all of our physical attributes and their e-commerce attributes. Now this could be a really really significant opportunity for our partnership.

So let's give it a little bit of time. I can't give you an exact roadmap, because some of this stuff we'd like to keep to ourselves, because we are -- we are still growing the business and there's a lot of competition out there on that front. So, but again, couldn't be, couldn't be more pleased with the potential opportunity in the future.

Linda Tsai

Thanks for that.

David Simon

Sure.

Operator

Thank you. And our next question comes from Ki Bin Kim with SunTrust. Please proceed with your question.

Ki Bin Kim

Thanks. Good morning. So you're -- you’ve been reporting improving sales per square foot for the past several years, but that formula there's some noise to it because the denominator is always changing. So I was wondering if you had a sense of the total sales productivity on at your centers over the past couple of years. Just try and get a sense of if it's becoming more vibrant or somewhat static overtime. And I realize that hotels and apartments you can't because there's no sales data for it, but just try and get a bigger picture.

David Simon

You know, I will give you the benefit of rule of large numbers. There is absolutely given our large portfolio. There is absolutely your comment about the denominator changing, is there a relevant in terms of our results. Because one particular property going in one particular property going out or 10 going in or 10 going out aunt going to move the number my friend. So that's number one.

Number two is many cases in our new developments; they come in below our average. And with that said, if anything, its understanding it. And then finally, I'll say, we continue to believe that we're reporting and this is really important and I've said it again, I want to keep saying it, but we're getting the you what's reported to us. And in some cases, what are reported to us is not actually gross sales.

Ki Bin Kim

Okay. I'm just going back to the topic of your investments that you're making and in places like RGG or Authentic Brands. Is it easy to get the sense that you're focused on making your fleet better and adding on different types of opportunities like private equity or venture capital. When does it start to become more interesting to actually increasing your fleet size or is it the case that the upside opportunity and redevelopment and private equity type of investments is still just far greater and better opportunity then increase in the fleet size?

David Simon

Did you say fleet?

Ki Bin Kim

Yes, sort of mall counts, retail center counts, things like that.

David Simon

Okay, well, look, I think we've historically have been acquisitive over our career. We just haven't done anything in a while. But the fact of the matter is if we have so much going on in so many opportunities here feel pretty good. I mean I don't feel like we need to do that, but if there's something out there that's makes sense. We would look at it. But I think its business as usual for us and the focus being on, it sounds like gobbledygook.

But the focus is just making us a better company, we got plenty of assets. And all of these things that we are doing and attempting to do is to make the real estate in our company better. But we are more than a real estate company and that we interface with brands and consumers to an unbelievable extent. So why that takes advantage of that reach that we've done reasonably well. But we can certainly do it too much greater extent and that continues to be a focus for us.

Ki Bin Kim

All right. Thank you.

Operator

Thank you. Our next question comes from Vince Tibone with Green Street Advisors. Please proceed with your question.

Vince Tibone

Hi, good morning.

David Simon

Good morning.

Vince Tibone

Could you elaborate on the magnitude of the decline in international tourism, and the impact that had on foot traffic in tenant tailed some of your key gateway market properties?

David Simon

Well, we don't give out specifics on that. But I mean, put it this way, the business has been, the tourist centers have been relatively flat in terms of sales, and we think had we had a normal you know if we had a normal, what I'd call a normal dollar in terms of the strength versus vis-à-vis the euro and other currencies and you know and all the other noise that's out there, we would have expected at 5%, 6% increase.

So I don't know if that means, I don't know if that gives you kind of what you want, but it's you know that some of our bigger international property sales have been flat. And traffic's actually not been too much the problem. It's been stable, but it's really we're seeing the flatness of the sales that we would expect it. When we did budget, we would have expected to have a 5 or so percent increase in sales.

Vince Tibone

Interesting, but that's helpful color. And then just one more for me and maybe switching gears a little, can you provide some color on the trends you're seeing in the private market for malls. I mean, do you think cap rates or the number of interested bidders has changed over the last six months or so?

David Simon

I would say to you that, I have not seen a change, but I would think that, I have not really seen a tangible change. I still think you know investing is more or less a herd mentality. And we're you know I was going to give an animal analogy, but I better refrain. Last time I did cockroach, which I -- I'm not going to do today, but I think people steal, the guys that have the money you know I think they, they they've always been retail real estate's always been you know it's not -- it's not a commodity, so the operator really matters so to speak.

So it's not like a warehouse that's like you know one commodity versus the next. And so do the operators matter, and the money that kind of goes in and out a commodity real estate as you know it's always kind of ebbs and flows for retail real estate, because who the operator is always been materially important.

So that's, that's one aspect I'd say to you. The next is, I still think they're surprisingly I'm actually surprised about it. But the so-called smart money has not played a big role in this. But, I mean they obviously have different points of view and they may be right. But we feel pretty good about what we're doing.

Vince Tibone

That's helpful. And just one follow up on that. I mean, let's say the herd mentality does push cap rates higher. Is there a point where you would potentially come in and be an acquirer of single assets on the market? Given to your point that the platform makes a big difference and you could probably increase in a line from these acquisitions.

David Simon

Yes. I think if there was a good fit, we would certainly take a -- take a hard look at it.

Vince Tibone

Okay, great.

David Simon

I think that's, I think that's the other point. I mean, we're not really seeing that's a good point that we're not really seeing kind of that A-assets show up on the market.

Vince Tibone

Okay. That's helpful. Thank you.

David Simon

Sure.

Operator

Thank you. And our next question comes from Michael Mueller with JPMorgan. Please proceed with your question.

Michael Mueller

Yes, hi good morning. I guess following up on that. For the properties where you have JV Partners, have you seen those investors want to exit more in recent years or they find with the exposures and it's more about where to park incremental dollars for them?

David Simon

I would say a lot of them are following the herd mentality.

Michael Mueller

Okay.

David Simon

I think my guess might be -- I'm not trying to be, am I clear on that. Not, I'll restate what I would be answering.

Michael Mueller

No, I think so. I think so. Yes….

David Simon

I think all, I think a lot of the folks out there are you know a little nervous about our business. But you know I would just put it you know not our business, not Simon Property Group business, but I’m nervous about whatever retail generally and so they do tend to, they do tend to follow the herd mentality, that's where somebody maybe us. It’s going to make a lot of money. I assure you. I've seen this movie before, and our cash flows are very very very resilient. If you have good real estate and a good operator, they always evolve and always change. And if you look at the mall that was built in the 60s, you look at the malls that were built in the 70s and 80s and 90s and 2000. Look at the redevelopment I mean, my goodness they changed a lot. And, and they're changing today.

So I don't, I don't know. No one here, I mean no one here is overly concerned about it, but all of these guys, they all get that you know it's a lot of people suffer, suffer from groupthink. Okay. Maybe we do too. But we don't. We're in good shape.

Michael Mueller

Got it. And I mean, would you think over the next three years, five years or so maybe we see a pickup in you buying out some of these JV Partners or is it a little bit more of a function of you've got a big redevelopment pipeline, a lot of capital that's going there and you're getting bigger returns on that. So it's, I guess that's the tradeoff. How do we think about that?

David Simon

Yes, I mean we're focused. Listen I'm going to. If they're nervous, I'm going to buy them at a real big discount, so let them get really nervous. I want them nervous, okay. Nervous is good for us. Okay. So that’s okay. The reality is there could be opportunities. But you know, we'll see.

Michael Mueller

Okay, thanks David, bye.

David Simon

Sure.

Operator

Thank you. And we have a follow up question from Christy McElroy with Citi. Please proceed with your question. Hello. Christy if your line is on mute, please unmute.

Christy McElroy

Hey, David, it’s Christy here. I know that it's just an accounting question for me and you know that the new straight lining of cam was addressed on the last call. I anticipate straight line trending higher this year, but with the recent bankruptcies I'm just wondering what kind of assessments have been in there? Also for the write-off of occurred straight line rents being uncollectible just with the bankruptcies this year, given the new rules around determination of un-collectability, just trying to get a good sense for what the normal run rate is for that line?

David Simon

I mean, that all flows through, so I don't have that off the top of my head. I would say to you. It's not material, but I mean that would do that all the time, right. So that we have to -- we have to make that decision all the time, whether it's collectable or not collectable.

Christy McElroy

Okay. I just didn't know if there was a material impact on that line. Aside from that, is it being elevated with the straight lining of camp?

David Simon

Not material.

Michael Bilerman

David, it's Michael speaking. You talked a little bit about how your stocks of contrarian investment at this point given the multiple, and you've used some of your significant balance sheet capacity to buyback your stock. You did about 300 million in the last six months. You've talked a little bit on this call about maybe partnering with sovereign wealth. It sounds like either buying assets or managing assets they may, or look at new opportunity. No…

David Simon

I don't think, I don't think I said that Michael. So I said, I said, there I said there are very few contrarian investors right now. And we're not really, we're at the very early stages of seeing how they feel about our -- you know the market in general. So I just want to be clear on that, okay.

Michael Bilerman

Right. I was listening to when you're talking about maybe working with them, but I didn't know if there is an opportunity to either liquefy some of the value in the assets that you've created. The debt markets provided you a cash amount of capital at a very attractive rates. Right, is your stock that is the one that is associated with the performance that you're putting up. And so, I know in the past you've been reluctant to sell JV stakes in your assets to buyback your stock. I'm wondering, if that's changed at all, or in some of these conversations that you're happy and having if you find that there is an opportunity to partner with contrarian capital, that you want to do that.

David Simon

Well, again I have never been a fan to sell an asset-A, to make a mark because A, assets grow historically over time and most everybody that sold A-asset, if they're going to believe it's an A asset in the future. Regret that decision. Okay.

So and buying stock back is a temporary investment decision and the reality is we're in this for the long haul as we've demonstrated over almost 26 years has been a public company. So I think that's kind of the worst thing. Frankly, we could do and getting this mark, getting a mark on our portfolio is fool's gold, it's never worked because the next question is, well, what about the rest of the portfolio. So and again, just to reemphasize.

So the answer is you know no interest in doing that, number one. Number two is, there are you know, some of these, I mean we're just I don't want to over emphasize and hopefully I didn't I look back at the call, but we're not out running around saying, do you want to go. People come to us we'll talk to them about interest partnership interest, but we're not out soliciting sovereign wealth funds, were not out doing that the reality is we don't need their capital. So, they know my number 1800 David call me if they want, they don't have to. Okay?

Michael Bilerman

And I wasn't thinking about it from…

David Simon

I don't want to overemphasize. We've talked to a few here and there. I think they respect what we do but I don't really know, maybe that's a flaw in us that we haven't really solicited them just to have better relationships. But I mean, we've done oaky without them being a major player for us to get to where we are today. We've never needed that in scale. So that's that. So I don't want to overemphasize. We've had discussions here and there, because you know sometimes they call, sometimes they don't.

So we're not out, we're not out trying to buy partnership interest of ourselves or others. We're not out talking to sovereign wealth other than we'll have a couple of conversations. And look, the reality is a lot of that institutional investors as we all know you know have a certain queasiness over retail. We've seen that before, it doesn't affect us. It's not, it doesn't, it affects you, it affects others. It does not affect me and my company in what we do. That's the important point, okay.

Michael Bilerman

And I wasn't thinking about it from a positive mark. I was thinking about more so in being able to raise additional capital and invest in your stock, and you know just basically bolster that program that you're doing right now using the free cash flow and capacity, doing something more meaningful if you're able to find an investor that's willing to partner with you. I understand the dynamics, and I understand getting up the growth. I just didn't know if that was part of the psyche today, just given where things stand.

David Simon

No, I mean the stuff that look, I think most of the and again we're beaten. You know we're spending more time on this than warranted, but most people, most institutional investors would like to do something you know is as we've talked to him often on over several years. Most of all like to do external stuff with us, variety. And you know but the reality is, we haven't been doing that. So we haven’t been talking to him, okay.

So again, it's where we're spending too much time on this. On the other front, look, we've got what you know why are we aggressively buying our stock back? Listen, we love our balance sheet. We'll be you know I think it's an unbelievable advantage. Unbelievable. It's under appreciated. Sorry Tom, I took out your paragraph in a teleconference text, to do $3.5 billion in four hours, you know 30-year bonds, blah blah, blah is all pretty powerful. We don't want to jeopardize that. We've seen when people had overstepped their numbers, overstepped their credit ratings. You know how it kind of can retard the opportunities going forward. We don't want to do that.

And importantly, I mean we're in that process of adding to our already successful retail real estate portfolio, and what does that mean? We're doing all this densification stuff. We're building our consumer facing business. You know we're positioning the company for the future. And as we all know, you know any leading company out there is invest in the future. You know from Microsoft to Amazon, to you know go down the list. Every successful company that understands the importance of investment.

And so I want the balance sheet that allows us to invest. If I had a criticism of historical retailers, they did not invest in there. And again, it's not for me to criticize, honestly, I don't want this to sound you know like I know it all. But the reality is what we've seen with Rick and I have seen because of strained balance sheets or overspending in one thing versus the other thing is the inability to reinvest in your business is a major no no. So that's, you know that we are not going to do the major no no.

Michael Bilerman

Thanks for your time, David.

David Simon

Sure.

Operator

Thank you. And I'm not showing any further questions at this time. I'd like to turn the call over to Mr. David Simon for any closing remarks.

David Simon

Okay, thank you. Everyone have a great day.

Operator

Ladies and gentlemen, this concludes today’s conference. Thank you for participating. You may now disconnect.