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Arthur J. Gallagher's (AJG) CEO J. Patrick Gallagher on Q3 2019 Results - Earnings Call Transcript

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Q3: 10-24-19 Earnings Summary

Press Release SEC *10-Q*

EPS of $0.8 beats by $0.01 | Revenue of $1.79B (2.83% Y/Y) misses by $-23.01M

Earning Call Audio

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Arthur J. Gallagher & Co. (NYSE:AJG) Q3 2019 Earnings Conference Call October 24, 2019 5:15 PM ET

Company Participants

J. Patrick Gallagher – Chairman, President and Chief Executive Officer

Doug Howell – Chief Financial Officer

Conference Call Participants

Mike Zaremski – Credit Suisse

Elyse Greenspan – Whiteells Fargo

Yaron Kinar – Goldman Sachs

Meyer Shields – KBW

Mark Hughes – SunTrust

Operator

Good afternoon and welcome to Arthur J. Gallagher & Co.'s Third Quarter 2019 Earnings Conference Call. [Operator Instructions] Today's call is being recorded. And if you have any objections, you may disconnect at this time.

Some of the comments made during this conference call, including answers given in response to questions, may constitute forward-looking statements within the meaning of the securities laws. These forward-looking statements are subject to certain risks and uncertainties discussed on this call or described in the company's reports filed with the Securities and Exchange Commission. Actual results may differ materially from those discussed today, and the company undertakes no obligation to update these statements.

In addition, for reconciliations of the non-GAAP measures discussed on this call as well as other information regarding these measures, please refer to the earnings release and other materials in the Investor Relations section of the company's website.

It is now my pleasure to introduce J. Patrick Gallagher, Chairman, President and CEO of Arthur J. Gallagher & Co. Mr. Gallagher, you may begin.

J. Patrick Gallagher

Thank you, Devin. Good afternoon. Thank you for joining us for our third quarter 2019 earnings call. With me today is Doug Howell, our Chief Financial Officer as well as the heads of our operating divisions.

Let me just start by saying we had another excellent quarter. Our combined brokerage and risk management segments delivered 13% growth in revenues, 5.8% all in organic growth. Adjusted EBITDAC margin expansion of 66 basis points and we completed 14 mergers with about $85 million of estimated annualized revenues, just a terrific quarter by the team.

Today Doug and I are going to spend our time focused on the four key components of our strategy to drive shareholder value. First organic growth, I'll review Organic by geography, comment on the pricing environment and give you some insight regarding exposures.

Second, going through mergers and acquisitions. Third, productivity and quality. Doug will hit this topic after my remarks and fourth, maintaining our unique culture.

Okay. To Organic, let me start with the brokerage segment. Third quarter Organic was 5.8% all in which is similar to our organic performance through the first six months of 2019. I'm very pleased that all of our divisions globally contributed to this result. For example, our domestic retail PC operations had another strong quarter where the organic of about 5%. Our wholesale operations set an excellent quarter posting about 6.5% organic. This includes over 10% in our domestic open brokerage operations.

Our benefits operations also had a strong showing this quarter posting base organic of about 4.5%. And then internationally our retail brokerage operations combined to post 7% organic with Canada more than 10%, Australia and New Zealand up about 6% and the UK up 5%, another really strong quarter of production by the team.

Let me move to the rate environment. We've been hearing a consistent message, whether it's from our carrier partners at the CIAB and the WSIA conferences or from our global leaders during our recent strategic planning sessions. Rates continue to increase across nearly all areas of the market. Our own internal data also points to an increasing PC rate environment with global PC pricing up about 5% which is a bit stronger than what we saw in our mid-year internal pricing survey.

Let me break down what we are seeing. I'll start in the U.S., rate overall up around 5% in our retail operations with workers compensation, the only line not showing incremental pricing strength relative to the second core. Within our domestic wholesale brokerage operations, pricing is approaching 6%. Moving to the UK, UK retail pricing is up over 3% to touch higher than the second quarter and our UK wholesale operations pricing is approaching double digits across many lines. In Canada, pricing is up around 8% with property increases more than 10% and finally in Australia, New Zealand pricing is up around 5% to 6% about a point lower than what we had been seeing over the previous two years, but still a substantial increase.

Moving to exposures, in early October, we surveyed our producers specifically asking questions related to their client's payroll and exposure units. Over 75% said their customer’s payrolls and exposure units grew during the third quarter. And more than 95%

of these respondents said they were seeing similar or stronger client exposure growth as they begin working on 2020 renewals. This is consistent with the results from our May, 2019 benefits benchmarking survey, where more than 70% of the 3,900 employers believe that their revenue would be increasing over the next two years.

So when I look around the world, PC rates and exposures continue to move higher. This an environment in which our talented production staff excels by delivering the best insurance, risk management and benefits consulting advice by leveraging our vast array of resources and capabilities. As I sit here today, I see our fourth quarter Organic nicely in the mid-5% range.

Next, let me talk about our Brokerage merger and acquisition growth. In the quarter we completed 11 tuck-in brokerage acquisitions with estimated annualized revenue of $70 million. I would like to thank all of our new partners for joining us and I extend a very warm welcome to our growing family of professionals. The brokerage team has had a very busy M&A year completing 35 mergers with more than $330 million of annualized revenues during the first nine months. Adding to that, we have already announced the number of mergers in October that should add an additional $90 million of annualized revenue.

This is on top of our M&A pipeline report that shows $400 million of revenue associated with about 50 term sheets either agreed upon or being prepared. While not all of these transactions in the pipeline will ultimately close, as I look around the world, it's clear that our tuck-in merger opportunities remain very robust.

Next, I would like to move to our Risk Management segment. Third quarter organic growth was 5.7% with similar results in both our U.S. and international operations. The growth we are experiencing is also broad-based by client type, including large commercial, public sector, alternative markets, and insurance carrier clients. Our investments in innovative products like the award winning mobile app GBGO combined with our expertise by product and industry continue to set Gallagher Bassett apart from the competition.

Looking forward, we see mid-single digit organic growth in the fourth quarter. In terms of mergers and acquisitions, we completed three risk management acquisitions in this quarter, adding annualized revenue of about $15 million. These acquisitions provide us with incremental capabilities and services that will benefit our clients in Australia, the UK, Europe, and the U.S. I'd like to extend a very warm welcome to our new Gallagher Bassett professionals.

Lastly, I'd like to touch on a true competitive advantage that's Gallagher's unique culture. It is a culture that helps us attract and retain the very best talent. A culture that promotes our relationships with our carrier partners, a culture that distinguishes us from others in a highly competitive merger environment and it is the basis for our people coming together as a team to serve as clients focused on doing the right thing.

Nowadays, we're hearing a lot about company culture and purpose. This is nothing new to Gallagher. We've long-valued all of our stakeholders as defined in our mission statement. Ultimately, we believe, if we provide value to our clients, take care of our employees and build strong relationships with our insurance carrier partners, our shareholders will be rewarded. Autumn line, our culture always has been and will continue to be a true competitive advantage.

Okay, a great quarter and first nine months. I'll stop now and turn it over to Doug. Doug?

Doug Howell

Thanks Pat, and good afternoon everyone. I'd like to start by thanking the team for another outstanding quarter. It really does position us very well to close out in the outstanding 2019 here in the fourth quarter. Today I'll make a few comments from the earnings release. I'll walk you then through the CFO commentary document we post on our website and I'll conclude with some comments on cash and M&A.

Okay, let's go to the bottom of page five of the earnings release to the Brokerage segment margin. For the quarter, we delivered 68 basis points of adjusted margin expansion. That's terrific result on 5.8% organic growth and this marks the 32nd straight quarter of Brokerage segment margin expansion, a truly amazing run and an excellent illustration how we're constantly focusing on raising our quality and productivity.

Looking forward, we would expect to see about 50 basis points of margin expansion, if organic growth is in the low-to-mid 5% range. Let's flip to page six of the earnings release to the Risk Management segment margins. During the quarter we posted 18 points of adjusted EBITDAC margin, that's really great work by the team but well above the upper end of our targets. So we wouldn't expect to see that in the fourth quarter, perhaps more like 17% to 17.5%, which would finish off a year nicely towards the higher end of our full year target also in that 17% to 17.5% range.

Let's now move to the CFO commentary document that we can find at our website. Let's turn to page two. Relative to third quarter estimates that we provided during our September IR day, nearly all of the lines came in very close, a few other comments. First, our integration efforts, mostly related to the aerospace and Stackhouse mergers we did this summer. Both are moving along as planned and on budget.

Second, we're making nice progress on our back office support layer transformation project, we discussed at our IR day. We've already contracted a few 100 positions and we have a nice line of sight into areas where we can lower our cost and improve our service quality by centralization, standardization and automation of most of our back office functions. We're redeploying these savings into processes to help us drive our organic growth. Sales support and sales management systems and tools, data and sales analytics, additional production talent, marketing and branding. In other words, all our efforts that will help us sell more, hire more and acquire more.

And finally still on page two, some modeling note. Please make sure your models are picking up our estimates for changes in estimated earn-outs and also earnings from non-controlling interest. Neither are big numbers but still can move your estimates by $1 or $2. Let's stay in the CFO commentary document, but flip to page three to the corporate side. Relative to the estimates we provided during our September IR day, interesting corporate expense lines were both within the range, acquisition expense was just a touch higher, mostly due to a couple of smaller international deals.

And then finally to clean energy. You'll see that in the third quarter adjusted results came in a couple million dollars above the midpoint of the range, a great quarter. Looking forward, fourth quarter is looking a bit lower than what we were seeing during our IR day.

Weather thus far in October is not nearly as hot as last year, so we moderated our fourth quarter outlet just a bit. That said, it's stacking up to be another $100 million a year for this investment strategy.

You'll also see a clean energy adjustment line this quarter. The clean energy had a very busy quarter. Footnote two describes four items, we resolved a five-year patents squabbled with a great outcome, we prevailed in tax court, we opened new patent defense litigation, which we think is without merit, but we intend on defending it vigorously. And finally we're making terrific progress and moving three of our 2011 Era lower production machines into a really great 2009 year locations.

You can see this clearly on page four of the CFO commentary. In the fourth row on that page, shows the machines are currently producing less than $1 million of earnings here in 2019, but by moving them we can achieve $10 million to $15 million of earnings. Hats off to those engineers and operators that we use to make those happen, really a great job, it's also affirmation from our utility partners that we truly have an excellent process and that we are delivering substantial environmental benefits. Well, stay on that page four, you'll see that we are also providing numbers around what we think is possible for clean energy earnings in 2020, that's the far right columns.

These numbers are still in line with what we said as a very early month during our September IR day. You'll see that by moving these machines we can counteract the natural trends and power production towards renewables and natural gas. It's an early lug, a lot can change, but here we are a decade ladder and still looking at an investment strategy that can deliver great returns for a couple more years.

At the end of the quarter, we have over $950 million of credit carryovers on our balance sheet and at least another two years of production ahead of us. So we're well positioned to harvest those hard earned cash flows well into the mid-to-late 2020s.

Finally, let's move to cash and M&A. At September 30, we had about $300 million available cash on our balance sheet, this plus our free cash flow through the end of the year and our borrowing capacity should round out a year where we can still invest deeply in our business, pay a great dividend and still fund about $1.5 billion of M&A before using any stock. When I look at our pipeline through year end, I think we'll be close to that level and if we happen to go over, it would only mean using a very small amount of stock. This clearly demonstrates to the strength of our growing cash flows.

When I look out towards 2020, that looks like we can easily do another $1.5 billion of M&A without using any stock. So those are my comments, an excellent quarter and excellent nine months. Back to you, Pat.

J. Patrick Gallagher

Thank you, Doug. Devin, we're ready for questions if we have some. Did you open it up?

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question comes from the line of Mike Zaremski with Credit Suisse. Please proceed with your question.

Mike Zaremski

Hey, good afternoon.

J. Patrick Gallagher

Good afternoon, Mike.

Mike Zaremski

First question. So as you guys know better than I do the – there's a lot of commentary about the P&C commercial market hardening and there's certain views out there that rates will continue to harden. I know Pat you've said that 5% is no hard market, and you said you got to go all the way back to 2001 to see what a real hard market looks like. Since it's been awhile let's just, if we had to hypothesize that rates just continued to move north, maybe you can kind of help us understand what a hard market would mean in terms of AJ Gallagher's impact on your financials and the pluses and the minuses?

J. Patrick Gallagher

Mike, yes, sure. Thanks for the question. First of all, you hit it right on exactly my line. This is not a hard market, It's getting firmer, there is no question about it, that when you get into some higher end property stuff on catastrophe exposed or places where there'd been losses, our people are working very hard to place those. Some of this stuff is getting done at the last minute, it takes more effort more submissions to more E&S markets to get it completed. We're seeing casualty take a little more effort and costs more money as well.

But this is not 2001, 2002 by any means. There is still plenty of capacity, deals are getting done. And remember, our job is to mitigate this for our clients. So number one, we're training our people across the globe, get out in front of this and explain to your clients that in fact in many instances we can show you that your rates are lower today than they were in 2005. So you've had a very good run, this is not a knee jerk. People – the rates that are being requested in many instances make a lot of sense, but it's certainly not a message that anybody wants to hear.

Now, let me compare that with what a hard market is. And again, you've got to go back to 2001, 2002. And that's when the door slam shut, you got people getting cancelled left and right, cancellation notices are going out every month, you're out trying to explain to your clients why they've been lost free and yet the x, y, z insurance company is not going to renew them. And they better get ready for the consequences of significant deductible increases and possibly the reduction of limits on a drastic basis.

Frankly, that's not good for anybody. Now I've been through three or four of those in my career and it's a little bit like going home and finding out the electric company just decided to change the current, none of your appliances work. And so that's not good for anybody and I don't see that happening. I do see disciplined need for rate and that is being explained by our professionals and were necessary. We're doing everything we can to help them find cover at a cheaper price.

Mike Zaremski

Okay. So as a follow-up then. So if we kind of get maybe goldilocks and the rates keep drifting up by just a couple points. I mean, do you expect, the question we get from investors is, will AJ Gallagher continue to say it's 50 basis points of improvement are – if we get into 6%, 7% organic territory, would you expect for more of the organic to fall to the bottom line?

Doug Howell

Yes. Mike, it's Doug. Yes, I think that if you got over 6% for a continued period of time, you would see – you could see some more margin expansion than 50 basis points.

Mike Zaremski

Okay. Great. And just lastly I've for Doug on the M&A sandbox. It's interesting there's been some IPOs of smaller companies that have been very successful and they're trading at nice multiples, there's one this week as well. Does that have any impact? And in terms of maybe making another pipelines robust, but maybe it removes some potential for some of the larger deals, if these companies find out that choose to go the IPO route.

Doug Howell

I don't know if it makes a dramatic difference or not. I think, remember, people join Gallagher because they see our capabilities, our resources, they know that being together with us that will be a better opportunity to deliver value to their customers. The folks that might want a IPO or go to a financial sponsor that's really not what they're trying to do with their business. The ones that we're trying to attract and we get 40, 50, 60 of those folks a year that want to come in and be better to Gallagher. So it could happen, but I don't see it pulling a lot of folks away from us.

Mike Zaremski

Thank you.

J. Patrick Gallagher

Thanks, Mike.

Operator

Our next question comes from the line of Elyse Greenspan with Wells Fargo. Please proceed with your question?

Elyse Greenspan

Hi, thanks. Good evening.

J. Patrick Gallagher

Good evening.

Elyse Greenspan

My first question on, at your Investor Day kind of just a little bit over a month ago, you guys had pointed to, I believe a little bit of a slowdown in organic in the third quarter. I know Doug, I think you said last year was a tougher comp. Obviously the growth that you guys printed in line with what we had seen through the first six months. So did some business outperform relative to your expectations? I'm just trying to get a sense of what might've changed in those few weeks towards the end of the quarter?

Doug Howell

I think that we did have a good September, we're talking about a few million bucks here. So, but if you really look at places that were particularly strong, our UK and London operations are really killing it right now, they're doing great, just saw a good growth in Canada. Now, if you go through where Pat talked about, where we're seeing some left there. But I think that September is a big month for us as December. So – and we did have a difficult compare and I was pretty proud of the team to grow over the top of that.

Elyse Greenspan

Okay, that's helpful. And then, so as we think about 2020, it sounds like you guys are pretty optimistic in terms of what's going on with exposure growth, as well as property casualty, pricing momentum at least being maintained at its current level. So does it seem like 2020 can be kind of in that 5.5% range that you're guiding to for the fourth quarter? Just any kind of initial view there?

Doug Howell

Yes, I think that's how we're seeing 2020. Surprised in the 5%, remember that also during this time, as losses go up, you could have some programs that need to reprice. You could have some carrier decide that they're going to pull back on some stuff. So it's the repricing piece that's always hard for us to take a look at this far in advance.

Elyse Greenspan

Okay. That's helpful. And then I appreciate giving the color on the clean energy earnings for 2020. So there is a $20 million range, which does seems a little bit higher than typical. I guess why is there a slightly bigger range and how should we think about, I guess, falling towards the higher end versus the lower end of that range for next year?

Doug Howell

Well, it's a long ways away, there's still – the utilities are still doing their budgets, we pulled them here during the last month to see if we can get an early luck. So we typically don't provide this to January, so I'd expect to narrow that range. But also when you look at the utilization of coal for electric power sector production, 2018 has been declining about 3% a quarter, maybe 4% a quarter. We had a big drop off in April and through June of this year in the second quarter, I’m just looking at some of the statistics you can find out on the EIA. And they were down 18%, that’s weather related more than displacement.

But if you really think about it, the line to look at is the $50 million to $60 million where the production related to those plants that were making us $56 million to $58 million this year, that maybe a 4% to 5% pullback in the numbers, maybe a little bit more. But between $80 million and $100 million, we're still really darn happy with us when we set out 10 or 11 years ago to do this investment strategy, the idea was making, call the midpoint of the rate $90 million in the ninth year, that's, I don't think we would have dreamt about. So we're pretty proud of that effort.

Elyse Greenspan

Okay, that's helpful. And one last quick question. Your acquisition revenue on page five for the fourth quarter, the $116 million that's about $21 million higher than what you guys have provided at that September IR day. I that – it’s like one deal driving that from either that was announced in the fourth quarter or is that just a compilation of some of the smaller deals you announced in the fourth quarter to-date that flow into the fourth quarter?

J. Patrick Gallagher

Elyse, can you just restate the question? You're looking at something in the fourth quarter, our estimates for roll in revenues $116 million, right? Is that what you’re looking at?

Elyse Greenspan

Yes. So that's $21 million higher than what you had told us at the IR day. So is that – is there one big deal that you announced since then that benefits the fourth quarter that much? Or is it just more a lot of deals that were announced on since September.

J. Patrick Gallagher

All right, so I think some of its Q4 deals that came in, call it half of that different than we closed Q4 deal. And then also I think the JLT, the aerospace business, we've got a better line of sight on what we think is rolling in from that.

Elyse Greenspan

Okay. That's helpful. Thank you very much.

Doug Howell

Thanks Elyse.

J. Patrick Gallagher

Thanks Elyse.

Operator

Our next question comes from the line of Yaron Kinar with Goldman Sachs, Please proceed with your question.

Yaron Kinar

Hi, good afternoon everybody. First question is around the EBITDAC – adjusted EBITDAC margin in the brokerage business up quite a bit year-over-year and even seasonally seems to be quite strong here. And then, as I recall, I think Doug you had said in the past that second half of the year has a little bit of a weakness just because of the salary increases or compensation increases that come in. I'm looking now at three years in a row where the third quarter is actually quite seasonally strong. Is there any change in how you were thinking about seasonality here? Any driver for a particularly strong result here?

Doug Howell

I think the biggest answer is that the team did a really nice job, we provided kind of put the clamps on hiring and when you're hiring 350 people a month, you can kind of control your competition a little bit by just putting the brakes on a little bit.

Coming into the end of the year we didn't want to get too aggressive on our hiring, that's probably delivering most of it in the quarter, which is a little different than typically we don't do that in the fourth quarter. So I think the team just got ahead of it a little bit.

Yaron Kinar

Okay. And do you think there's a timing issue here? I would just think there is firming markets and opportunities, maybe the hiring will still commence?

Doug Howell

Yes. We're always out there looking for producers. We're always doing that. I think that you're really seeing some of the economies of scale coming through. We did do a rift, if you recall some of that, – I wouldn't call 300 people a rift and 34,000, but we did a tightening of the belt in June and July. So that's part of it.

But also we're just getting good results by utilization of our off-shore centers of excellence. We're getting good results with our technology lifts, it's just you get these economies of scale as you get in as the business grows.

Yaron Kinar

Okay. And with that in mind and as we look forward, do these – I think in the past you'd said, anything about above 4% growth should achieve. was it 30 basis points of margin improvement or 40 basis points of margin improvement, 5% organic growth we'd get a little more than that. So – exciting acceleration of that given the economy scale.

Doug Howell

Here's two things that we'll look at. We'll look really hard. The team's having a terrific year. So we'll look at how the bonus expense looks in the fourth quarter. I think that, we still feel comfortable if we're posting over 5%, we'll get 50 basis points of margin expansion.

Yaron Kinar

Okay. Second question, if I may contingent commissions, if the industry is raising rates in a rational way basically to address inadequate returns, I would think, should one expect that decrease in contingent commissions over the next 12 months.

J. Patrick Gallagher

Well from numerically contingent commissions, you could have a little flatten in the growth of contingent commissions. If you think about us, we've got hundreds and hundreds of contingent commission contracts out there all around the world that sell a business that's loss ratio sensitive, let's call it $50 million of annualized earnings.

If it flattens out, you'd probably get paid back for that in the base commission and fee line as you get some rate left and some exposure left. So overall all in Organic shouldn't suffer too terribly much based on what we're seeing in the loss ratio environment right now.

Yaron Kinar

Got it. Thanks so much.

J. Patrick Gallagher

Thanks, Yaron.

Operator

[Operator Instructions] Our next question comes from the line of Meyer Shields with KBW. Please proceed with your question.

Meyer Shields

Great. Two quick questions if I can, I want to follow up on Yaron's question and ask whether the deteriorating casualty environment that we were hitting a little bit about this quarter is translating into more claims, more liability claims handling within risk management.

Doug Howell

Of course, there's no doubt. We're seeing – first of all, we are seeing tort inflation in this path. We're seeing tort inflation across our book of business, in particular areas like transportation, sexual misconduct and D&O places like that. Our liability book and severity, in the liability book at Gallagher Bassett, it's both up in terms of numbers of claims as well as the settlement amounts that are being paid to close. It's clearly important for inflation.

Meyer Shields

Okay. And that sounds like it would be good for risk management revenues.

J. Patrick Gallagher

It should be, because a big part of what we're trying to improve in the marketplace and realize we're getting to a size now as the risk management claims provider that many of our own trading partners don't handle the number of claims Gallagher Bassett does. So we're trying to point to the fact to carriers, to captives and to risk management clients, if they select Gallagher Bassett, their results will actually be better.

We will have a better claim outcome than they're used to in the general market. And we do believe we can stand up to that. So, yes, I mean, as people start to feel the squeeze and as the settlement costs go up, more of a reason to listen to our story.

Meyer Shields

Okay. Excellent. And second question, I guess if you look back I'm interested in how accurate past surveys of client growth have been in terms of predicting how the economy actually pans out.

J. Patrick Gallagher

Really, really good. Our people are on the street. And this is not a survey of a bunch of economists that are sitting in Washington, D C. These are people sitting across from customers right now planning for 2020 and they're not going to be pie-in-the-sky because the fact is when you tell us your payrolls and your other exposure units sales are going up, you're going to have a higher deposit on your insurance premium.

So that’s a natural tendency to lowball. And if you lowball you’ll get a free loan from the insurance company. So no, no, no, these guys really have their ear to the ground.

Meyer Shields

Okay. That's fantastic. Thank you.

Doug Howell

Thanks, Meyer.

J. Patrick Gallagher

Thanks, Meyer.

Operator

Our final question comes from line of Mark Hughes with SunTrust. Please proceed with your question.

Mark Hughes

Yes, thank you. Good afternoon, Doug, the $1.5 billion in capacity for next year, could you refresh us on how much of that you had anticipated just to be free cash and then how much you would borrow and then what's your capital cost would you imagine on that the piece that you would be borrowing?

Doug Howell

Half would free cash, half would be borrowing. And what's our cost of borrowing, 4%, 4.25% or something like that.

Mark Hughes

And then just to be clear, in the CFO commentary, your estimate for revenue contribution that is entirely inclusive of all the deals you've done heretofore, including I think you said $90 million in the acquired revenue in October. Is that correct?

Doug Howell

Through yesterday, yes.

Mark Hughes

Through yesterday, okay. Great. Thank you very much.

Doug Howell

Thanks Mark.

J. Patrick Gallagher

Thanks Mark. Any other stuff?

Operator

There are no further questions at this time.

J. Patrick Gallagher

Great. Then let me just make one quick comment to wrap it up. Thank you again for being with us this afternoon. I'm extremely proud of what the team has accomplished so far this year and I believe we're poised to deliver a strong finish to the year. So thanks everybody for being with us today. We appreciate it.

Operator

This does conclude today's teleconference. You may now disconnect your lines at this time. Thank you for your participation and have a wonderful day.