Rollins, Inc. (ROL) CEO Gary Rollins on Q3 2019 Results - Earnings Call Transcript

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Q3: 10-23-19 Earnings Summary

Press Release *10-Q*

EPS of $0.22 misses by $-0.00 | Revenue of $556.47M (14.09% Y/Y) beats by $8.55M

Earning Call Audio

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Rollins, Inc. (NYSE:ROL) Q3 2019 Earnings Conference Call October 23, 2019 10:00 AM ET

Company Participants

Marilyn Meek – Investor Relations

Gary Rollins - Vice Chairman & Chief Executive Officer

John Wilson - President & Chief Operating Officer

Eddie Northen - Senior Vice President, Chief Financial Officer & Treasurer

Conference Call Participants

Tim Mulrooney - William Blair

Jamie Clement - Buckingham Research Group

Seth Weber - RBC Capital Markets.

Brian Butler - Stifel

Operator

Good day, and welcome to the Rollins Inc Third Quarter 2019 Earnings Conference Call. Today's conference is being recorded. At this time, all participants are in a listen-only mode. Later, we will be conducting a question-and-answer session and instructions will be given at that time. [Operator Instructions]

I would now like to introduce your host for today's call, Marilynn Meek. Ms. Meek, please go ahead.

Marilyn Meek

Thank you. By now, you should have all received a copy of the press release. However, if anyone is missing a copy and would like to receive one, please contact our office at 212-827-3746 and we will send you a release and make sure you are on the company's distribution list.

There will be a replay of the call, which will begin one hour after the call and run for one week. The replay can be accessed by dialing 1-888-203-1112 with the passcode 295-0556. Additionally, the call is being webcast at www.viavid.com and a replay will be available for 90 days.

On the line with me today and presenting are Gary Rollins, Rollins' Vice Chairman and Chief Executive Officer; John Wilson, Rollins' President and Chief Operating Officer; and Eddie Northen, Senior Vice President, Chief Financial Officer and Treasurer. Management will make some opening remarks and then we'll open up the line for your questions.

Gary, would you like to begin?

Gary Rollins

Yes, Marilynn. Thank you and good morning. We appreciate all of you joining us for our third quarter 2019 conference call. Eddie will read our forward-looking statement and disclaimer and then we'll begin.

Eddie Northen

Our earnings release discusses our business outlook and contains certain forward-looking statements. These particular forward-looking statements and all other statements that have been made on this call, excluding historical facts are subject to a number of risks and uncertainties, and actual risks may differ materially from any statement we make today. Please refer to today's press release and our SEC filings, including the Risk Factors section of our Form 10-K for the year ended December 31, 2018 for more information and the Risk Factors that could cause actual results to differ.

Gary Rollins

Thank you, Eddie. Well first and foremost, we're pleased with our third quarter execution and results across all of our business service lines. The warm weather finally appeared thankfully, although later than normal. As a result, we experienced a strong delayed demand for our pest control services. Following a less than satisfactory second quarter, we work diligently to ensure that we right-sized our headcount and reduced expenses that weren't essential for the quarter.

We're proud that our team responded effectively. It's also noteworthy that many of our investments and programs continue to generate improved levels of employee retention. This is an important step to improving customer service in the field and administration. In addition to earlier this month, we completed the transition of our fully funded U.S. pension plan to an insurance company. This will provide our company with several accomplishments.

We will be eliminating the annual pension contribution, insurance fees, administrative cost, pension management and other related cost of the plan. There will be ongoing cash savings. Our employees since freezing of the plan in 2006 have enjoyed significant enhancements to their benefits, most recently to their 401(k) plan. Eddie will provide more detail on the pension discontinuation in his remarks.

Record revenues for the quarter rose 14.1% to $556.5 million, compared to revenues of $487.7 million in the third quarter of last year. Diluted net income of $44.1 million or $0.13 per share was impacted by the non-cash pension settlement cost that compares to $66.6

million or $0.20 in 2018. Revenues for the first nine months rose 9.6% to $1.5 billion, compared to $1.377 billion for the same period last year.

Net income was approximately $152.6 million or $0.47 per diluted share, compared to $180.7 million with earnings per diluted share of $0.56 for the first nine months of last year. Eddie will review the non-GAAP results shortly as they're very meaningful.

We experienced strong growth in all of our business lines in the quarter with residential, up 17.6%, commercial pest control rose 9.2%, and termite and ancillary services grew 15.4%. We believe our third quarter results reflect both the resiliency of our company and our team's ability to respond to operational challenges.

Before turning the call over to John, just a quick update on Clark. John and I visit began with the team in California this quarter and the more time we spend with Clark and their employees the more excited we are about having them as a member to our family of brands. We're making great strides with our integration as they are now live on our fleet system, fully transitioned into our 401(k) program and improving their telecom systems.

Now, I'd like to turn the call over to John. John?

John Wilson

Thank you, Gary. With the warmer weather experienced during the third quarter, mosquitoes among other pests were much more active. Even as the population is becoming more aware of the health threats of mosquitoes, there is still much to be done in this area.

Eastern Equine Encephalitis, West Nile, Zika and other diseases caused by mosquito bites are becoming a greater health threat. We continue to work with various agencies and organizations in an effort to educate the public about these mosquito risks. In order to meet this public threat, we have worked persistently over the years to add mosquito services in all branch locations. This year, we have grown that service line by more than 30% and this has helped greatly to propel us to our 6.4% overall organic growth rate for the quarter.

Additionally, we know that coupling these and other service offerings together for our customers, clearly lengthens our relationship with that customer increasing the revenue received.

Now I'd like to share with you some exciting news regarding one of our brands. Northwest Exterminating, last week at the National Pest Management Association meetings, Northwest received the National Pest Management Association Gives Award. The NPMA Gives Award recognizes member companies that have demonstrated leadership through dedication and contribution to their community.

Rollins has increasingly encouraged our brands to give back to their communities and Northwest has certainly led the way in this effort. We are proud of this recognition and want to congratulate our team at Northwest.

In 2006, Northwest introduced their Green Pest Control program, which is a rather unique service offering targeting common household pests, ants, spiders, roaches, mice, centipedes, millipedes and more, using only high-quality nontoxic products derived from botanicals, such as flowers, plants and natural elements from the earth, as well as an IPM or Integrated Pest Management approach utilizing exclusion techniques to keep pests out in the first place.

Over time this program has expanded to include a Green Elite offering as well as other Green services such as termite, mosquito and lawn care. Northwest Green programs are continuing to grow with an increasing desire among homeowners for nonchemical treatment in pest control.

Overall these programs are greatly contributing to Northwest's impressive growth rate as this brand has produced the highest growth of any Rollins' brands during the quarter.

Gary previously noted our strong employer retention and I'm pleased to be able to say that we have continued our improvement in that important metric through the third quarter of this year. We talk about retention a lot in our businesses as we can't stress enough that for a service provider the importance to ensuring our employees remain happy and motivated in their jobs is paramount. A happy employee translates to a happy customer.

We have largely focused our field team efforts in three ways to gain this improvement. First, we conduct exit surveys to focus on why people leave as well as concerted employee engagement assessment efforts to ensure our teams feels they have a voice in making things better, and last is the effort to improve the onboarding and orientation experience our people undergo. We know if we can just get them past the first year or so the likelihood to stay goes up exponentially.

Our team members are the face of our brands and we will continue to invest in training programs, technology and provide opportunities for advancement to ensure they remain with us.

Finally, for me, just a quick update on routing and scheduling. For the third quarter, we again had improvements in driving and route efficiency as we clock 571,000 less miles driven. This improved efficiency comes on the heels of a 1.4 million mile reduction in Q3 last year and we have now had 19 consecutive months of milage reductions.

Now let me turn the call over to Eddie.

Eddie Northen

Thanks, John. Mother Nature returned with full strength in the third quarter and our operations, the support staff and sales groups were up for the challenge. Record revenues enabled strong improvements in our financial metrics across the board.

Even with the ongoing business expenses, headwinds of employee benefits, foreign currency exchange and Clark integration items, we made tremendous improvements in all of our financial metrics for the quarter and are positioned well to end the year on a very strong note.

For the quarter, all of our service lines showed exceptional growth and key to the quarter included: finalization of the Rollins' pension risk transfer; expansion of our Glympse communication to our residential customer base; and a return to margin growth year-over-year.

Before we proceed with the review of our financial results, I hope that you've had a chance to review our press release from October 3 related to our pension risk transfer. If not it is posted on our website to view. Our overfunded status grew from our original estimate of 104% to nearly 111%.

As noted in the press release, we will be using these cash proceeds to fund our company 401(k) match over the next several quarters and pay other plan-related expenses. Once these steps are completed, we will anticipate bringing $6 million to $8 million in cash back to the company for additional deployment.

The accounting adjustment was also significantly lower than our original estimate, mainly driven by lower interest rates. This accounting pension adjustment flow through our P&L in Q3 and was approximately $50 million before tax. As you know, this is a one-time non-cash occurrence. As Gary said, I will be discussing our GAAP metrics and then spending time on our non-GAAP financial metrics that exclude the pension adjustment.

For the quarter, we are only calling out the pension adjustment for our non-GAAP results. But a few other items to keep in mind with regards to our net income for the quarter related to our Clark acquisition are: depreciation of $1.4 million for the quarter for buildings and vehicles added; amortization of intangibles up $2.9 million per customer contracts; interest expense was $2.8 million related to the borrowing of Clark; professional services about $800,000 as Clark uses a large number of subcontractors and this is a higher percentage of revenue than in our other Rollins' brand. These categories equate to $7.9 million and as they subside or lapped, will continue to improve our year-over-year margin expansion moving forward.

As we look through our numbers, I will give you GAAP numbers that include our pension accounting adjustment and then transition to our non-GAAP numbers that reflect our true operating results, again, only with the pension loss eliminated.

So with the pension, looking at the numbers, the third quarter revenue was $556.5 million. That was an increase of 14.1% over the prior year's third quarter revenue of $487.7 million. Again, with the pension adjustment included, income before income taxes was $46.1 million or 48.7% below 2018. Net income was $44.1 million, down 33.9% compared to 2018. Our GAAP earnings per share were $0.13 per diluted share.

Without the pension adjustment, our non-GAAP income before income tax rose 6.8% to $96 million compared to $89.9 million in 2018. We had a slightly higher tax rate this quarter at 26.5%, but feel that our full year rate will be in the low 20s with our Q3 pension entry.

Our net income rose 6% to $70.6 million and EPS were $0.22 per diluted share up from $0.20 per diluted share in the third quarter of 2018, a 10% increase. As I've mentioned on previous calls, our best financial measure at this time is EBITDA, which was $120.6 million compared to $106.7 million in 2018, a 13% increase. We have only had one other quarter outside of the quarter with the Tax Cuts and Jobs Act that eclipsed this growth since 2014.

With the pension revenue for the nine months ended September 30, 2019 was $1.509 billion, an increase of 9.6% over the prior year's third quarter revenue of $1.377 billion. Income before income taxes decreased 20.9% to $189.2 million from $239.3 million in 2018. Net income fell 15.6% to $152.6 million and earnings per share were $0.47, down 14.5% from the 2018 number of $0.55.

EBITDA was $252.1 million, down 12.9% compared to 2018. Without the pension adjustment, income before income tax decreased 0.1% to $239 million from $239.3 million in 2018. Net income fell 0.1% to $179.2 million and earnings per share were $0.55 flat to the previous year. EBITDA was $302 million, up 4.3% compared to 2018.

Our technology roadmap continues to pay healthy dividends with regards to operational efficiency improvements and an improved customer experience. John mentioned, the improvements in miles driven for the quarter as we continue to see improvements year-over-year since the inception of our routing and scheduling initiative, which started in 2016. These reductions increased the time our technicians can spend with the customers and increases the technician's capacity.

As of September, we have added over 70% of our Orkin residential routes to Glympse. Each customer on these routes is receiving multiple proactive text or e-mail notifications from the technician beginning days in advance and culminating when they're on their way to the customer.

This technology is the best in the industry, and our early results show improved customer retention for each of our mature branches that are providing this enhanced customer communication. We anticipate these results to continue to improve our customer retention and margin for quarters and years to come, much like we have seen from our routing and scheduling results.

Let's take a look through the Rollins' revenue by service line for the third quarter. As discussed earlier, our total revenue increase was 14.1% and included 7.7% from Clark and other acquisitions, and the remaining 6.4% was from pricing and organic growth. This is the strongest organic growth rate in a quarter since 2013.

In total, residential pest control, which made up 45% of our revenue, was up 17.6%; commercial pest control, which made up 37% of our revenue, was up 9.2%; and termite and ancillary services, which made up approximately 17% of our revenue, was up 15.4%.

Again, total revenue less acquisitions was up 6.4%. From that, residential was up 8%; commercial increased 3.5%; and termite and ancillary grew 7.9%. This was the largest commercial increase in over a year.

The revenue strength this quarter is a combination of the late season that did not materialize in Q1 or Q2, execution by our operations and a great job by our sales force. One of Gary's famous quotes is "The season always comes. At some point it does get warm and the pests do come out and the season does start." In most years, that strength is seen in May and June and impacts Q2.

As you know that did not occur this year, but our year-to-date revenue growth, ex currency and M&A is moving in a direction to be in line or higher than the past three years. The key is that demand does not evaporate. When it gets warm, the bugs come out. This year that did not happen until July, but it did in a really big way.

In total gross margin improved to 51.7% from 51.6% prior year's quarter. The quarter experienced increases in several categories such as service salaries, sales salaries, personnel-related and professional services, all related to the acquisition of Clark. These increases were offset by reductions in administrative salaries due to improved efficiency and reduction in materials and supplies.

The additional Clark items that I just mentioned impacted the margin by almost a full percentage point. Depreciation and amortization expense for the quarter increased $4.8 million to $21.7 million, an increase of 28.6%. Depreciation increased $1.7 million due to acquisitions and equipment purchases, as mentioned earlier, while amortization of intangible assets increased $3.1 million due to the amortization of customer contracts from several acquisitions.

Sales, general and administrative expenses for the third quarter increased $22.1 million or 15.2% to $167.2 million or 30% of revenues, up 0.3 percentage point from $145.1 million or 29.7% of revenues for the third quarter of 2018. The increase in the percent of revenues is primarily due to acquisitions as well as increased sales competition, compensation, enhanced 401(k) plan expense, maintenance and IT contract expense.

As for our cash position for the period ended September 30, 2019, we spent $431.2 million on acquisitions compared to $71.8 million for the same period last year which of course included Clark. We paid $103.1 million on dividends and had $18.7 million of CapEx which was up 4.8% from 2018, primarily from planned IT upgrades such as our BOSS Canada rollout and building improvements.

We ended the period with $104.4 million in cash, of which $71 million is held by our foreign subsidiaries. Yesterday the Board of Directors declared a regular cash dividend of $0.105 per share that will be paid on December 10, 2019 to stockholders of record at the close of business November 11, 2019.

In addition, the Board declared a special dividend of $0.05 also payable when the regular dividend is paid. For the regular cash dividend this is the 12.5% increase over the prior year. This marks the 17th consecutive year the Board has increased our dividend by a minimum of 12% and the seventh year in a row the Board has declared a special dividend.

Gary, I'll turn the call back over to you.

Gary Rollins

Thank you, Eddie. We're happy to take your questions at this time.

Question-and-Answer Session

Operator

Thank you, sir. [Operator Instructions] Our first question will come from Tim Mulrooney with William Blair.

Tim Mulrooney

Good morning.

Gary Rollins

Good morning.

Eddie Northen

Good morning.

Tim Mulrooney

Yes. I want to focus on -- I know it's a smaller piece of your business only 17% in the quarter but I wanted to ask you a couple of questions about your termite business this morning. Almost 8% organic growth, which is particularly impressive I think given that last year, that's on top of a 6.5% growth. So I mean your termite business is growing really well and kind of above what we've seen in some of your competitors. I was wondering if you could comment on that business and perhaps why you're seeing such strong performance there?

Eddie Northen

Yes. Tim I would say a couple of different things. We've had good termite growth. I think if you look back probably over the last nine or 10 quarters maybe even a little bit further back than that we've had good consistent termite growth. You're right this quarter was enhanced a little bit more. A little bit of that would be a pent-up demand.

But we've talked about on previous calls that we have our internal credits department that enabled us to really be able to help with the closing tool for that. So it's a great quality service from a termite perspective. And we also have that ability for our customers to be able to use our internal credit department able to use our internal credit department.

For some -- in some cases a larger dollar expense that they would have for that type of service. So operations continue to put a good quality product out there and I think the sales folks continue to use our sales tools extremely well to be able to close those sales.

Tim Mulrooney

Okay. That's helpful. Thank you, Eddie. And as my follow-up, one of your competitors recently began talking about some increased claims expense that they're experiencing because of more aggressive behavior from the Formosan termite, ancillary, this was in a specific region. But I'm just curious if you guys are also seeing higher claims activity some thought maybe. If one company were seeing it maybe other companies would be seeing it too. I'm wondering if you're seeing increased pressure from higher claims activity as well. Thank you.

Eddie Northen

Yeah. I – Tim, I don't know the specifics of the other that you're talking about or we couldn't read some of the same things that you read publicly. I'll say perspective for termite, our termite claims are actually down year-over-year. Our dollars -- our litigated dollars are down and our claims dollars are down year-over-year.

I think the thing that we have in place that really has been enabled us to continue to reduce this over many years is we have a very strong dedicated termite services group, technical services group that enable us to make sure that we have a good quality product that's out there.

We have a QA group that will look on the backside to make sure that a good quality service is being done. And they'll also help to manage any claims related issues or concerns that might be out there to be able to help to minimize that in any way possible.

We also take a look carefully at the contracts that we offer that are available out there kind of based on the different type of termite and the different areas of the country to make sure that we feel like it's the right risk to be able to take in the different areas.

Gary Rollins

Yeah. And I would add to that that this termites -- dedicated termite quality insurance team that Eddie mentioned they are independent from our branch operations. So they go into every one of our branches on a regular basis to actually go out and inspect the work that they do and make sure that we are delivering what we promise. And so that's been a huge linchpin in terms of us reducing our termite damage claims both from a dollar perspective, paid perspective and a number perspective over the last say 20 years.

Operator

Thank you. Our next question comes from Jamie Clement with Buckingham Research Group.

Jamie Clement

Hey, guys. Gentlemen, good morning.

Gary Rollins

Good morning.

Eddie Northen

Good morning.

Jamie Clement

Good morning. John I don't know if you want to take this or Gary, but just obviously M&A activity in your industry is what I think is probably on an unprecedented level right now. And it seems like a lot of smaller businesses are being bought by some of the bigger folks. It seems you all are interested in some quality smaller businesses as well. Can you talk a little bit about the challenges of by purchasing and integrating small businesses with respect to retention both at the technician level as well as the customer level?

Gary Rollins

Yeah. Jamie, no doubt the market is frothy from that perspective in terms of the opportunity to buy these companies. And with the multiples being paid certainly many of the smaller companies are out there and actively shopping and trying to sell their the smaller companies are out there and actively shopping and trying to sell their companies as well.

We certainly go after the small ones. Just like we do the bigger ones the -- they can provide a tremendous opportunity to tuck-in to a location and really improve that the densities, the route density of that branch and that business. And so that's usually the approach we'll take with those, but from an employee perspective we take the same approach as we do from -- with the bigger ones, because as I like to say our team in our business when you buy a company, you don't buy a lot of hard assets, all you get are employees and customers and neither has to stay.

And so if we don't treat the employee well, and onboard them well and integrate them well then that customer won't be there at the end of the day either. And so that's really our approach whether it's big or small.

Jamie Clement

Okay. I appreciate that. Thank you.

Operator

Thank you. Our next question comes from Seth Weber with RBC Capital Markets.

Seth Weber

Hey, good morning everybody.

Gary Rollins

Good morning.

Eddie Northen

Good morning.

Seth Weber

Just wondering if you could give us some more color, the 3.5% growth in commercial, you noted that was the best in more than a year. Is there anything you'd call out there? Any kind of special initiatives? Anything you've been targeting there? Can you talk about what you're seeing on the pricing front as well? That's my first question. Thank you.

Eddie Northen

Yeah. I would say that, the pricing is a very rational in the industry. We know that there are other players that, if you look back three years, five years, seven years, they may not have been in the market. We're still seeing very rational pricing that is out there in most cases that are available. We really concentrated on areas where we know that, there's less price sensitivity. So, we really shifted our focus probably over the last 18 months from a new customer perspective really looking at those areas. There's lots of different groups that – companies that have their own margin pressure and that can be pushed along to all of their vendors.

And we're continuing to move away from those and continue to concentrated areas, where there's less price sensitivity and they care more about the quality and they're willing to pay for the quality or the service. So we're seeing some more retention from that because the quality of service that we're able to attain and I think that's helping us to be able to continue to incrementally improve and in this case have a pretty healthy jump as far as the commercial is concerned.

Seth Weber

Yeah. Looks great.

John Wilson

Yeah. One thing I might add, we also implemented a new pay plan for our commercial sales, people that much more greatly incentivize them to pursue recurring revenue. We kind of got hooked on that bed bug revenue for a period of time. And while that's great to get, it's not recurring and as you guys know we really prefer that recurring revenue to build. And so we've sort of changed our focus and incenting our people to pursue this – these other higher quality customers that are recurring in nature as Eddie described.

Gary Rollins

John, I'd like to add to that. We have developed a software that we call Insight. So, we have the ability to show commercial customer the layout of their facility and what we intend to do in those areas typically base stations and service emphasis on the high pest pressure areas. And we think that this is going to help distinguish what we can offer the customer. And so far we don't have it in – everywhere, but where we do have it we're showing good results.

Seth Weber

And are you finding that customers are willing to pay – the contract size is bigger with that Insight – by using Insight, can you get higher contract values and things like that, or can you just expand on that a little bit?

Gary Rollins

I think ultimately, we will. I mean, it distinguishes us and then we're able to identify where we've had a rodent activity. So this isn't just a sales tool, but it's also a means to have continuous communication with the customer. And this is especially important when you get into big commercial situations. And you might have 50 base stations in some of these larger warehouses and manufacturing operations. So I think one of the benefits will be not only from the sales point of view, but retention point of view because we're just reaffirming the fact that we are doing these service stops, if you will or check in the base stations. And it gives a customer a feel that this is not just a sale this is an ongoing communications tool.

Operator

Thank you. [Operator Instructions] Our next question comes from Brian Butler with Stifel.

Brian Butler

Good morning. Thank you for taking my questions.

Gary Rollins

Good morning.

Brian Butler

Just the first one on kind of the growth trends you're seeing, can you give a little bit more color I guess on the organic trends maybe help us. If we pull out some of the seasonality across second quarter to third quarter, what kind of organic trends are you seeing? Is this – is this pace changed recently to improving? That'll be very helpful.

Eddie Northen

I think it'd be extremely difficult to break it out exactly. We've talked about pent-up demand. Gary talks regularly about looking at a full year as far as revenue growth, because there is going to be fluctuation. It's going to occur between the different quarters. Of course, this year was tremendously different than anything that we've seen in previous years and I think Gary probably would say the same thing and in his time period it was completely different.

But there was significant pent-up demand. But I would also say that, we had great marketing initiatives. And our operations executed extremely well, to be able to have a higher retention rate from a customer perspective, which I think will help us from an organic revenue perspective as we're moving forward in time.

So, I think the combination of those things, helped with the record that we saw this quarter. And I think they're going to help us as we move forward. The technology that we put in place with Glympse and John talked about our routing and scheduling it's making it a better job for our technician.

And it's making it a better customer experience, from a customer's perspective. And all those things are incrementally improving that customer retention piece, which ultimately will help us as we're continuing to grow our revenues.

Brian Butler

Okay. And then, my follow-up question just on the margins. Just looking at the EBITDA margin, it looks like EBITDA margins ex the pension we're still down around 20 basis points.

Can you give a little bit of color on kind of very strong revenue growth but some of that operating leverage seems to have been lost somewhere, and then, how to think about operating leverage going forward from here?

Eddie Northen

Well I talked about that a little bit in my comments when I -- the only thing we called out in the adjusted was the pension adjustment. However, we do know that we had some onetime events having to do with the Clark integration, such as our D&A, our interest, professional expenses as well as our 401(k) increases.

All of those contributed probably to a difference of a percentage point as far as the overall margin was concerned. So I think, if you go through and you -- if you wanted to look at it from that perspective you go through and kind of strip those things out. I think you'll see a nice improvement, year-over-year for the quarter.

And, we believe that, as those areas subside and/or we lap those areas. We're going to continue to see that margin moving in a positive direction as we have for many quarters and many years before this.

Operator

Thank you. [Operator Instructions] At this time, I'm showing no questions in the queue. I would like to turn it back over to management, for closing remarks.

Gary Rollins

Well. Thank you all for joining us. We appreciate your interest. I hope you sense that we're optimistic about our company's opportunities going forward. We have a lot of investments that we think will start to payoff in a greater form.

It's kind of hard to put it all together and come up with a cumulation of these investments and where they take us. But we see movement with all of them -- positive movement with all of them.

And we've got some tremendous companies and brands. And we're very proud of what we've done. And we're very proud of the transition that these companies have gone through and have experienced. So, we look forward to giving you our update with our fourth quarter call.

Thanks again.

Operator

Thank you, ladies and gentlemen. This concludes today's teleconference. You may now disconnect.