Seeking Alpha
Transcripts | **Consumer**

General Mills, Inc. (GIS) CEO Jeffrey Harmening on Q1 2020 Results - Earnings Call Transcript

Sep. 18, 2019 4:34 PM ET
by: SA Transcripts

FQ1: 09-18-19 Earnings Summary

Press Release *10-Q* *Slides*

EPS of $0.79 beats by $0.02 | Revenue of $4B (-2.23% Y/Y) misses by $-81.74M

Earning Call Audio

Subscribers Only

0:00:00 -1:02:17

General Mills, Inc. (NYSE:GIS) Q1 2020 Earnings Conference Call September 18, 2019 8:30 AM ET

Company Participants

Jeff Siemon - Vice President of Investor Relations

Jeffrey Harmening - Chairman and Chief Executive Officer

Donal Mulligan - Chief Financial Officer

Jonathon Nudi - Group President of North America Retail

Conference Call Participants

Andrew Lazar - Barclays Capital, Inc.

John Baumgartner - Wells Fargo Securities LLC

Kenneth Goldman - JPMorgan Chase & Co.

David Palmer - Evercore ISI

Laurent Grandet - Guggenheim Securities

Jason English - Goldman Sachs

Michael Lavery - Piper Jaffray

Robert Moskow - Credit Suisse

Alexia Howard - Sanford C. Bernstein & Co., LLC

Kenneth Zaslow - Bank of Montreal

Bryan Spillane - Bank of America Merrill Lynch

Steven Strycula - UBS

Operator

Greetings, and welcome to the First Quarter Fiscal 2020 Earnings Conference Call. During the presentation, all participants will be in a listen-only mode. Afterwards, we will conduct a question-and-answer session. [Operator Instructions] As a reminder, this conference is being recorded Wednesday, September 18, 2019.

I would now like to turn the conference over to Jeff Siemon, Vice President of Investor Relations. Please go ahead.

Jeff Siemon

Thanks, Melissa, and good morning, everyone. Thanks for joining us for the General Mills first quarter earnings call. I'm here with Jeff Harmening, our Chairman and CEO; Don Mulligan, our CFO; and Jon Nudi, who leads our North America Retail segment, who is here for the Q&A portion of the call.

And before I turn it over to them, let me cover a few housekeeping items. A press release on our Q1 results this morning was issued over the wire services, and you can find the release and a copy of the slides that supplement our remarks this morning on our Investor

Relations website.

Please note that our remarks this morning will include forward-looking statements that are based on management's current views and assumptions. The second slide in today's presentation lists factors that could cause our future results to be different than our current estimates.

And with that, let me turn it over to my colleagues, beginning with Jeff.

Jeffrey Harmening

Thank you, Jeff, and good morning, everyone. Our first quarter net sales performance included encouraging improvement in North America Retail and strong growth in our Pet segment, driven by good innovation and effective brand-building investment. We got off to a slower start in our other segments, and we expect topline improvement in those segments and for the Company starting in the second quarter.

On the bottom line, we delivered profit and earnings growth ahead of our expectations while continuing to invest in our brands and our capabilities. We remain on track to deliver our fiscal 2020 goals, including accelerating our organic sales growth, maintaining our strong margins and reducing leverage.

Slide 5 summarizes our first quarter financial results. Net sales totaled $4 billion, down 2%. Organic net sales declined 1% with lower volume, partially offset by a positive price mix across all operating segments.

Adjusted operating profit grew 7% in constant currency driven by a one-time purchase accounting adjustment in the Pet segment in last year's first quarter. Adjusted diluted earnings per share totaled $0.79 and grew 13% in constant currency, driven by higher profits and below the line favorability.

As a reminder, we outlined three key fiscal 2020 priorities on our Q4 earnings call. First, we will accelerate our organic sales growth. We are working to improve growth in North America Retail by maintaining momentum on Cereal and improving U.S. Yogurt and U.S. Snacks.

We are also focused on driving another year of strong growth on Blue Buffalo. We delivered solid results for these segments in the first quarter. The results in our remaining three segments were below our expectations. In a few moments, I'll share how we'll step up the Company's organic growth rate starting in Q2.

Our second priority is to maintain our strong margins and we delivered positive results here in Q1. And our final priority for 2020 is to maintain a disciplined focus on cash to achieve our fiscal 2020 leverage target and we had a good start to the year on this measure as well.

With these priorities in mind, I'll cover our Q1 segment results in detail with a particular focus on the topline before turning it over to Don to review our performance on margins and cash flow.

Turning to the components of net sales growth on Slide 7. Organic net sales were down 1% from a year-ago, driven by lower volume, partially offset by a positive price mix across all five segments. Foreign exchange was a one-point drag in the quarter.

First quarter organic sales for North America Retail were flat, compared to the prior year, which was a two-point improvement on our fourth quarter trend, and we delivered net sales improvement across most of our operating units.

In U.S. Cereal, we maintained our positive momentum with net sales up 1%. We saw early traction in U.S. Snacks with net sales down to 1% compared to a 4% decline in fiscal 2019. U.S. Yogurt net sales were flat to last year and I'm happy to say that our strategic revenue management actions drove one-point of positive price mix.

Constant Currency segment operating profit increased 2% in the first quarter, driven by benefits from HMM cost-savings and positive price mix, partially offset by input cost inflation and higher brand-building investments. Our in-market performance in North America Retail also stepped up in Q1.

As you can see on Slide 9, we've driven a steady improvement in our two-year retail sales trends since fiscal 2017. In the first quarter, our U.S. Nielsen-measured retail sales were flat versus a year-ago and we held or grew share in five of our 10 largest categories including Cereal, Refrigerated Dough, and Soup. We know we still have room to improve including some key categories like Yogurt and Snacks, and we'll continue to focus there to strengthen our overall growth profile.

Let's dive a bit deeper into our first quarter performance in North America Retail, starting with Cereal. We grew U.S. Cereal retail sales in fiscal 2018 and 2019 and our results accelerated in the first quarter with retail sales up 1%. We outpaced the category, expanding our share of leadership position through increased investment behind compelling consumer ideas such as our Cheerios Heart Health Campaign and strong in-store execution and events.

We also had another impressive quarter on innovation with the top five new products in the category including Blueberry Cheerios and Cinnamon Toast Crunch Churros. I am very pleased by our performance in U.S. Cereal and I'm excited about the plans we have for the rest of the year to continue our momentum. We are executing well on the fundamentals of innovation and brand-building and we'll continue to drive these levers in the rest of the year.

Last year, we improved U.S. Yogurt retail sales behind our strategy to expand in the faster-growing segments of the category and to support our core with brand-building investment and on-trend equity news.

In fiscal 2020, we'll continue to improve U.S. Yogurt with a strong lineup of innovation, brand-building and product news. Through the first three months of the year, yogurt retail sales were down 2%. We drove retail sales growth on the core with Original Style Yoplait flat to last year and Go-GURT up 13% due to increased distribution on Go-GURT Dunkers and Go-GURT Simply as well as strong back-to-school merchandising.

The Simply Better segment, which now represents 12% of the category, continues to be an attractive growth space. We drove 8% retail sales growth on our products in this segment behind our better-tasting YQ product reformulation, which now prominently features the protein benefit on the updated packaging. And we launched into a growing beverage segment with our new Yoplait Smoothies. In total, we like the news and innovation we are bringing to the U.S. Yogurt category this year to drive further improvement in our retail sales trends.

Turning to U.S. Snacks. We have a long track record of growth on this business. However, fiscal 2019 was certainly a more challenging year. In fiscal 2020, we're focused on improving our performance behind innovation, renovation, brand-building support, and in-store execution.

In the first quarter, retail sales were down 2% cutting our fourth quarter declines in half. Retail sales trends for Nature Valley improved each month during Q1, driven by positive results of our wafer bar innovation and a stronger back-to-school merchandising season.

Retail sales for Fiber One have also improved each month since we reformulated the product line to be more relevant for modern weight managers. While we still have distribution losses from earlier this calendar year, our gross returns per point of distribution have stepped up in recent months. For the remainder of the year, we'll continue to execute our F 2020 plans on bars and we expect to see continued retail sales improvement.

We are focused on competing effectively everywhere we play, including our profitable $4 billion U.S. Meals & Baking operating unit. First quarter retail sales for Old El Paso grew 5% due to increased distribution, consumer news and merchandising as well as price realization across channels.

We returned soup to both retail sales and share growth in the first quarter. We drove retail sales up 2% due to a broad-based strength in the soup portfolio and we have solid plans in place for the upcoming soup season.

We had a great year on our refrigerated dough in fiscal 2019 and that performance has continued into this year. First quarter retail sales were up 2% and market share increased by a full point driven by distribution gains and in-store execution behind innovation.

In total, we are off to a good start on these businesses, and we think we’ll step up to have a successful year on U.S. Meals & Baking. Overall, we are encouraged by our first quarter results in North America Retail and we are focused on the right priorities to improve organic sales growth in fiscal 2020.

Shifting gears to Pet. I am pleased to say that we had a great first quarter with net sales up 7%. This includes lapping an extra week of reported results in last year's first quarter. Excluding this timing difference, net sales were up in the mid-teens. Our growth was led by our expansion into the food, drug and mass channel, and we generated seven-points of positive price mix in the quarter.

Looking at in-market performance, we drove all-channel retail sales up low double-digits, and we grew share again in the quarter. First quarter segment operating profit totaled $81 million, compared to $14 million a year-ago, driven by the $53 million purchase accounting adjustment in last year's Q1 as well as higher net sales this quarter.

On Slide 15, you can see how the key components of our double-digit retail sales growth breakout by channel. Retail sales were up more than 100% in the food, drug and mass channel as we benefited from our expansion to new customers and the launch of Wilderness in food, drug and mass in last year's fourth quarter.

Importantly, retail sales for food, drug and mass customers who have carried BLUE more than 12 months were up 50% versus last year. As we expected, retail sales and pet specialty continued to decline by double-digits. This is an important channel for BLUE and we continue to support the channel through unique programs and innovation.

For example, in the second quarter, we're launching CARNIVORA, a new super premium offering for pets exclusively into the pet specialty channel. We also have plans to execute exclusive programs in this channel later this year, including our new Baby Blue program, which we'll tell you more about next quarter.

And BLUE continues to win in the rapidly evolving e-commerce channel with retail sales up 20% in the quarter, resulting in further market share gains. We remain on track to deliver 8% to 10% like-for-like growth for our Pet segment this year.

We're also focused on a successful leadership transition as Billy Bishop moves into a Founder and Brand Advisor role in January; and Bethany Quam, currently President of our Europe and Australia segment assumes day-to-day management of the Pet segment. We remain confident in this business and are excited about the growth prospects ahead.

In the Convenience and Foodservice segment, organic sales were down 4% in the quarter, primarily driven by lower bakery flour volume and the negative impact of flour index pricing, both of which resulted from a decline in an underlying wheat prices during the quarter.

Despite near-term pressure from flour, we continue to drive good growth on our higher margin Focus 6 platforms. Net sales for these platforms were up 2% in the first quarter, driven by strong performance in the K-12 schools, including our new two-ounce equivalent grain cereals and our bulk Yoplait yogurt. Segment operating profit in Q1 declined 6% from year-ago levels that were up 14%.

In Europe and Australia, organic sales declined 5% due primarily to a challenging retail environment in France impacting yogurt and ice cream, where we were unable to secure agreements with some key accounts on inflation-driven price advances resulting in loss distribution.

Additionally, we had a headwind in the UK and France driven by changes in merchandising timing. On a positive note, we drove good retail sales growth on snack bars and Old El Paso behind innovation and consumer news.

First quarter segment operating profit decreased 15% in constant currency, driven primarily by the timing of brand-building expense and lower volume, partially offset by positive price mix.

In Asia and Latin America, organic sales declined 3%. Sales in our three key emerging markets Brazil, India, and China fell short of our expectations in the quarter. In Brazil, we saw retailers draw down inventories early in the quarter.

In India, we changed our route to market to focus on more strategic and profitable distribution. And in China, we saw lower volumes on Häagen-Dazs due to slower consumer traffic in shops and on Wanchai Ferry the pricing actions we implemented to cover significant pork inflation.

First quarter segment operating profit in Asia and Latin America totaled $10 million, down $2 million versus a year-ago primarily due to lower net sales. Looking ahead, we expect to drive improved organic sales trends for the Company beginning in Q2.

Slide 19 summarizes our key focus areas by segment. In North America Retail, we'll continue to focus on maintaining momentum in U.S. Cereal while improving U.S. Yogurt and Snacks.

In Pet, we'll continue to drive strong retail sales growth in the food, drug and mass and e-commerce channels, and we'll execute exclusive innovation and programs in Pet specialty. In the remaining three segments, we'll see acceleration in our organic sales growth starting in Q2.

In Convenience and Foodservice, improvement will be led by our Focus 6 platforms, where we'll benefit from strong innovation in Schools and Convenience Stores. We also expect bakery flour volume will improve, that we continue to expect index pricing on flour, which is profit neutral to be a drag on net sales.

In Europe and Australia, we'll benefit from increased merchandising and we'll continue to drive strong performance on snack bars and Old El Paso. We'll also lap the impact of our distribution loss on Häagen-Dazs in the second half of the year.

In Asia and Latin America, the retail inventory in Brazil and distribution headwinds in India that we experienced in Q1 are largely behind us, and we expect to see improvement in the second quarter driven by new strategic revenue management actions and increased levels of innovation from Häagen-Dazs cones in Asia, Betty Crocker ready-to-eat snacks in the Middle East and new spicy dumplings in China.

With that, I'll turn it over to Don to review our Q1 performance on margins and cash flow. Don?

Donal Mulligan

Thanks, Jeff, and good morning, everyone. Let me begin on Slide 21 by summarizing our joint venture results in the quarter. CPW posted topline growth for the fourth consecutive quarter with constant currency net sales up 2%. CPWs growth was broad-based with continued momentum in the UK, Australia and the Asia, Middle East and Africa regions, as well as a return to growth in Latin America.

Häagen-Dazs Japan net sales grew 6% in constant currency driven primarily by growth in core minicups and a comparison to a double-digit decline in last year's Q1. First quarter combined after-tax earnings from joint ventures totaled $22 million, compared to $18 million a year-ago, driven by lower restructuring charges at CPW and higher net sales, partially offset by higher brand-building expenses.

Turning to total company margins on Slide 22. First quarter adjusted gross margin and adjusted operating profit margin were up 160 basis points and 130 basis points respectively, driven by benefits from positive price mix in all segments and last year's $53 million purchase accounting inventory adjustment in the Pet segment.

Input cost inflation and Holistic Margin Management cost savings were largely offsetting in Q1. And for the full-year, we continue to expect input cost inflation in HMM to be 4% of cost of goods.

Slide 23 summarizes other noteworthy Q1 income statement items. Corporate unallocated expenses, excluding certain items affecting comparability increased by $22 million in the quarter. Net interest expense decreased $15 million, driven by lower average debt balances and lower interest rates. The adjusted effective tax rate for the quarter was 20.9%, compared to 22.7% a year-ago, driven by international discrete tax benefits in fiscal 2020. In Q1, average diluted shares outstanding were up 1%.

Slide 24 provides our balance sheet and cash flow highlights in the quarter. Our core working capital totaled $624 million, down 7% versus last year's first quarter, driven by continued improvements in accounts payable.

First quarter cash flow from operations was $572 million, down 6% from last year, driven largely by slower core working capital reduction versus last year's Q1, partially offset by higher net earnings. Capital investments totaled $70 million and we paid $298 million in dividends in the quarter.

As detailed on Slide 25, we remain on track to deliver our fiscal 2020 guidance. We expect organic net sales to increase 1% to 2%. With an updated view on foreign currency, we now expect the combination of currency translation, the impact of divestitures executed in fiscal 2019 and contributions from the 53 week in fiscal 2020 to increase reported net sales by approximately 1%.

Constant currency adjusted operating profit is expected to increase 2% to 4%. Constant currency adjusted diluted EPS is expected to increase 3% to 5% from the base of $3.22 earned in fiscal 2019. We currently estimate that foreign currency will be immaterial to adjusted operating profit and adjusted diluted EPS.

We continue to target free cash flow conversion of at least 95% of adjusted after-tax earnings and we remain on track to achieve our leverage goal of 3.5x net debt to adjusted EBITDA by the end of the fiscal year.

Now I'll turn it back over to Jeff for some closing comments.

Jeffrey Harmening

Thanks, Don. And before we close, let me add a little bit more color on our Q1 results relative to our expectations. We feel very good about our performance in North America Retail and in Pet, where our Q1 organic sales results were modestly ahead of our expectations.

For our other three segments, we expected coming into the year that Q1 will be the slowest quarter of growth driven in part by the fact that we were lapping our strongest quarter of growth for each of these segments last year.

Our Q1 results in these segments were a bit below our expectations, largely driven by the shortfall in flour and Convenience and Foodservice and the retail inventory reduction in Brazil. We had expected and continue to expect to see growth ramp up in these segments starting in Q2, driven by the factors I mentioned a moment ago.

On the bottom line, our Q1 profit and earnings per share results were ahead of our expectations, and based on those Q1 results and our plans for the remainder of the year, I am pleased to say that we remain on track to deliver our full-year fiscal 2020 goals.

With that, let me open up the line for questions. Operator, can you please get us started?

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from the line of Andrew Lazar with Barclays. Your line is open. Please proceed.

Andrew Lazar

Hi. Good morning, everybody.

Donal Mulligan

Good morning.

Jeffrey Harmening

Good morning, Andrew.

Andrew Lazar

Hey. I guess, first off with organic sales in fiscal 1Q, particularly in the three segments, you talked about a bit below expectations. I guess in order to get back to your own sort of original internal plan for the year, would you expect that to come from really more a recovery in the international and CS&F segments? Or anticipating North America Retail and Pet need to maybe bear a little bit more of the weight around accelerating than initially planned?

Jeffrey Harmening

So Andrew, the first thing I would say is that we – we did reiterate guidance for the full-year of 1% to 2% growth, and we feel good about that because as I said, primarily the two things that we're different than what we expected were flour index pricing on the flour and retail inventory in Brazil.

And the retail inventory in Brazil, we think we'll correct itself starting in the second quarter, which leaves the retail flour piece, the index pricing on flour really the biggest difference versus expectations.

As we head into the rest of the year, we fully expect without giving guidance on each and every segment, we fully expect that the segments that were below our expectations will improve significantly in the second quarter. And I would say we've got good momentum on Pet and we've got good momentum on North America Retail, which are our most profitable businesses, and I don't see any reason why that momentum shouldn't continue into the second quarter as well.

Andrew Lazar

Got it. And that's helpful. I appreciate it. And then just lastly would be, I think in fiscal 2019, you had mentioned that about in North America Retail and maybe this is best for Jon. I think seven of 10 categories held or gain share. I think this quarter it was five of 10. I know that can move around probably quarter-by-quarter, but anything to read into that that we need to think about as we go forward through the year? Thanks so much.

Jonathon Nudi

Yes. Hi, Andrew. I guess, overall, I'd say the short answer is no. We feel really good about the trajectory of our business. At our Investor Day, we said we wanted to do three things. One is continue our momentum on the Cereal and we did that in Q1, up 1%. We feel really good about that.

And then we wanted to improve our performance in Snack Bars and Yogurt, and we were able to accomplish that as well. So again, we feel very much like we are on track again quarter-to-quarter, you have some levels and share, but overall, we feel like we're performing well and are on track for what we expect for the year.

Andrew Lazar

Great. Thank you.

Operator

Our next question comes from the line of John Baumgartner with Wells Fargo. The line is open. Please proceed.

John Baumgartner

Good morning. Thanks for the question. Jon, just looking at the narrowed gap between shipments and takeaway in North America in the quarter, I think the outlook for fiscal 2020 was that you continue to see retailer destocking. So are you seeing anything there improving a bit sooner than expected? Or are there any discrete benefits in terms of Q1 shipments that may be reverse or moderate going forward.

Jonathon Nudi

Hi, John. As we mentioned in fiscal 2019, we saw about a point gap between RNS and Nielsen, really driven by retailers focusing on reducing the working capital and inventories. We expect that to continue. It's not readily apparent, but due to rounding, we still saw about a half point gap in Q1 between RNS and movement. And we do expect to see a gap throughout the year, and again, we'll have to see how much that is as the year plays out.

John Baumgartner

Okay. And then just a follow-up on U.S. Yogurt. One pillar to that strategy is stabilizing Yoplait Light. I mean, you're still cycling through some pretty big year-on-year distribution losses there. It's been flat sequentially I guess since January. I'm curious, looking at the recovery in Go-GURT, which also went through distribution losses, you’re back to mid single-digit growth there. Do you have a sense of confidence that maybe once you get into the back half of fiscal 2020, Yoplait Light does begin to at least stabilize back to the dollar growth overall? I mean is that kind of finding the bottom for distribution at this point?

Jonathon Nudi

Again, the short answer I think is yes. And as we look at our business, our biggest business, our Original Style Yoplait, the Red Cup, and that was flat, actually grew slightly in Q1. And then Go-GURT is a really important kid business for us as well. So we'd say that's the core.

The tail is really Light and Greek. And Greek, for all intents and purposes, has very little comp left there. And then Light, we do believe it’s stabilizing and we've got some marketing that we're going to be rolling up throughout the year that we think can improve that.

But if you look at the Yogurt business, I would actually focus on, again Original Style Yoplait and Go-GURT, and then the Simply Better segment, which is where we think the category is going. 12% of the category today, I think like Oui and YQ, it's growing double-digits and we're the share leader, and we continue to introduce new products into that segment as well.

So we feel good about our plans for yogurt. Again, coming out at Investor Day, we said we wanted to improve half of that down two in fiscal 2019. We were able to do that in Q1 and feel like we have good plans in place to move forward.

John Baumgartner

Great. Thank you for your time.

Jonathon Nudi

Thank you.

Operator

Our next question comes from the line of Ken Goldman with JPMorgan. The line is open. Please proceed.

Kenneth Goldman

Hi. Good morning and thank you. I wanted to ask two questions. Number one, in terms of organic volume, I know you don't want to be too specific on quarters, but you did talk about the second quarter, getting a little bit better. You do have an easier comparison, there are some better factors as you mentioned in terms of Brazil and so forth. Is it reasonable for us to model in at least flat organic volume as you see it in the second quarter now? Or is it a little bit optimistic?

Jeffrey Harmening

Yes. I think that we're certainly going to get better on organic volume and you'll see the biggest change in that and actually in Convenience and Foodservice because flour is pretty heavy and we lost a lot of volume in Convenience and Foodservice.

And so as we get our pricing back in line and we share innovation kicking in Convenience and Foodservice, actually you'll see a pretty good volume gain there because we won't have as much of a negative drag from flour and we've got some good innovation in K-12 schools.

Kenneth Goldman

Okay. Thank you for that. And then I wanted to ask, Jeff and Jon, you did talk about snacks getting a little bit better from a percent basis, but if you look at the comparison, look at the two-year, it did actually worsen a little bit from the fourth quarter of 2019.

I'm just curious, when can we think about a real turnaround in snacking when the absolute dollars start to rise and we start seeing legitimate improvement there because it feels like the improvement this quarter perhaps was just on an easier comparison a little bit.

Jonathon Nudi

Yes. So Ken, this is Jon. As you look at our snack business, it's really three key businesses, the first the snack bars and I want to dig into that in a little bit more detail. The second one is fruit snacks, and the third is salty. And fruit salty had a good Q1 combined they grew year-over-year and we need to make sure that we continue that as we move forward.

If you remember, we had capacity constraints from fruit in fiscal 2019. We now have capacity, so we feel like we're going to accelerate on fruit as we move throughout the year. So we feel good about those businesses. I think the story is going to really be about snack bars.

And as we've talked, it's really about Nature Valley and Fiber One. On the Nature Valley in fiscal 2019, our innovation wasn't where we need it to be and we missed the key back-to-school merchandising window.

As you look at Q1 on Nature Valley, we had a very good back-to-school, in fact incremental and displays were up double-digits in the month of August. And our innovation is Krispy Kreme wafer bar, which is off to a really good start. So we saw sequential improvement month-by-month on Nature Valley, and we expect that to continue.

And Fiber One, that's been again a challenging business for us over the last three or four years with significant declines. We renovated the product in the spring, and are seeing some really encouraging results. So if you remember, we went to 70 calories on Fiber One Brownies, five grams net carbs, two grams of sugar and really get back in line with modern weight managers going from five Weight Watchers points to two, and the early results are quite encouraging.

In fact, we've seen our turns from point of distribution up double-digits. Our distribution is down year-over-year, so that will be a bit of a drag. I think the inflection point from a distribution standpoint were really be the turn of the calendar year as we lap some significant distribution declines in both Nature Valley and Fiber One. So we are encouraged. We believe that we're very much on or maybe slightly ahead of where we expect it to be at this point on snacking and feel like we'll improve as we move throughout the year.

Kenneth Goldman

Thank you.

Operator

Our next question comes from the line of David Palmer with Evercore ISI. Please proceed.

David Palmer

Thanks. Good morning. Just a question on Pet. Just looking at the numbers that we see in Scanner Data and also looking at those statistics you had on the other channels, and wondering what you think we will be seeing in the coming quarters.

And we're seeing that SKU count going up a lot. ACV is going up a lot. And then you mentioned specialty is down double-digits, but you have some new offerings going there and then e-commerce. So could you give us a sense of what we're going to see throughout this fiscal year by channel and maybe the complexion of the growth? Thanks.

Jeffrey Harmening

Yes. David, I think you will see us continue to grow in the food, drug and mass channel, especially through the second and the third quarter behind distribution build that we have on Life Protection Formula, so increased distribution there as well as the rollout of Wilderness across previously existing customers.

And we're really pleased to see in the food, drug and mass channel, we have year-over-year growth, which I think is really important. So not only have we gained distribution, but as consumers are starting to find it more in that channel, they're really going to Blue Buffalo. So we like the growth we see in food, drug and mass and certainly over the next couple of quarters, we see continued growth in that channel.

In the Pet specialty channel, as you noted, we had double-digit declines in the first quarter. We certainly think that will probably still decline in those channels over the coming quarters. We will hope we'll get a little bit better. As you can see, we've got some innovation and things like CARNIVORA and like Baby Blue. We're still lapping some distribution losses, but we're starting to see some traction on some of our innovation and some of our marketing ideas.

And so as we go throughout the year, we would certainly expect for that channel will get a little bit better. And then with e-commerce, we feel good about what we're doing in e-commerce. I think I mentioned at the end of last year that the e-commerce channel for Pet had slowed a little bit, but we would see an increase in this coming year we thought. And that's exactly what we're saying and our performance is good in e-commerce. So we have a high degree of confidence that will continue to grow and be the market leader in the e-commerce channel.

Donal Mulligan

And the only thing I would add to that is that as you recall at our Investor Day, we talked about the calendar differences in Pet this year. So we had a one-week drag in the first quarter that Jeff alluded to in our comments and then we'll have a one-month addition in the fourth quarter, we'll also then be lapping the rollout to Walmart in the beginning of the Wilderness expansion. So as we said in the Investor Day, we expect Q2 and Q3 to be our strongest organic growth quarters, ex the calendar changes.

David Palmer

Thank you.

Operator

Our next question comes from Laurent Grandet with Guggenheim. The line is open. Please proceed.

Laurent Grandet

Hey. Good morning, Jeff and Don. Thanks for the opportunity. So let me first focus on the other segments. In your prepared remarks, you mentioned you're off to a slower start and that you were taking action to address topline improvement in second quarter. I know you alluded to some of those in your comments, but could you please elaborate a bit more on those three different subsegments? And I will have a second question, please.

Jeffrey Harmening

So we'll go around. In Europe and Australia, what will improve in the second quarter is that, we will return to our increased merchandising levels because we really had lower merchandising levels in the first quarter, vis-a-vis a year-ago. And so we had our strongest quarter of the year last year in Europe and Australia, and it was driven by two things, a strong ice cream season and higher merchandising levels.

We'll return to higher merchandising levels in the second quarter. So we have a high degree of confidence in the UK and France to our biggest markets, our performance is going to improve. We'll still be lapping some distribution losses on Häagen-Dazs, so it won't get all the way to bright, but it will improve significantly.

In Asia and Latin America, the biggest thing that will change is going to be the trajectory in Brazil. What we thought going into the year that our – that retail inventories would climb in the first quarter because last year we had a trucker strike as you may or may not recall.

It's materializing later than we had anticipated. And we'll see that pickup in the second quarter of this year. In fact, we've already started to see it. And so Brazil will be the biggest change. Here, we've mentioned India, that in India, we pulled back on some distribution in the first quarter. We were planning on doing it. We pulled back faster than we thought. And what we see in the first quarter, it makes it for a tough first quarter. It should make our second quarter better because we've already taken that distribution out.

And then in Convenience and Foodservice, we certainly have a lot of confidence in that business. And we've been growing that business over the last year or two. We'll pick back up in the second quarter. It really is a matter – you can see our Focus 6 grew 2%. That becomes a bigger part of our portfolio as kids go back-to-school and our K12 business is strong, and we've got great innovation there. And we've adjusted our flour pricing, so that will be less of a drag. And so we have a high degree of confidence that we'll return to momentum in our Convenience and Foodservice business.

Laurent Grandet

Thanks, Jeff. Very helpful. The second question is – and Don, no disrespect to your retirement announcement, but one of the major events during the quarter was the announcement of Billy Bishop moving to an advisory role.

Donal Mulligan

[Indiscernible]

Laurent Grandet

Lots of questions about this from investors. I mean could you give us a bit more comfort that this transition would be as smooth as it can be? And explain a bit further the role of adviser that Billy will take.

Jeffrey Harmening

So I think it's a fair question, commentary on Don not included. I thought, I think for Billy, Billy and I have been talking about this for quite a while, this transition. So this is not a surprise transition for us. We had talked about the timing many months ago. And one of the first I'd tell you, one of the things it allowed us to do is to get what I consider to be a great backfill in for Billy. And Bethany Quam, who's a terrific brand builder and knows the sales channel and marketing and really helped us get back on track in C&F a few years ago. And so it allows – who I think is a – someone great back in place.

The other thing I would tell you – it's interesting. When we decided to buy Blue Buffalo, when I first met Billy almost two years ago, there are a few things that made this seem like attractive opportunity. One was the growth space of Pet and the growth of natural and organic. But beyond that, when Bill and I talked, it was interesting how similar the cultures of Blue Buffalo were to General Mills, and also how their strategy for growth parallel our strategy for growth. And how they think about brand-building is very similar to ours. And so the underpinning of that hasn't changed with the new leader coming in.

And the growth strategy that Billy has outlined is one that we very much believe in and we believed in before we bought Blue Buffalo. And so – and the way they built the Blue Buffalo brand, when they think about their brand is the same way we think about building our brands, and the kind of leadership that Billy provided, we think that Bethany will provide. In terms of adviser, I'm excited to have Billy come onboard as well as to have Bill senior as well as their brother, Chris. And so the Bishops will still be in an advisory capacity, and they provide a lot of pet experience, a lot of marketing experience, a lot of new product experience.

And this advisory role is nothing new for us. Gene Kahn stayed on for an adviser for many years on the Cascadian Farms in lower America and LARABAR. And so this role of adviser, especially a founder's, is really important. They provide a lot of legacy knowledge about the business, and we're thrilled that Billy and his dad and brother are going to stay on in that capacity.

Laurent Grandet

Thank you very much.

Operator

Our next question comes from the line of Jason English with Goldman Sachs. Your line is open. Please proceed.

Jason English

Hey. Good morning, folks, and thank you for the question. So I want to delve into Pet a little bit more. We've heard that the Carnivora launches were reasonably well received by Petco and PetSmart, and it sounds like you're getting around four feet of space. A couple of questions on that: A, is that kind of consistent with your expectations? B, when will it hit? And you mentioned sort of a low double-digit retail sales offtake versus a mid single-digit underlying shipment. Was some of that delta, that spread the result of early shipments to the pipeline still ahead of that? And if you are getting four feet, can you give us some sort of context of proportionate to what you have now? Like how much incremental all-in space do you expect in that channel?

Jeffrey Harmening

All right. So let me take those series of questions, Jason, and I'll try to hit all of them. In terms of Carnivora, we're excited about the launch. Most importantly, it really started shipping in August. And that's important because August in the Blue Buffalo calendar actually falls in Q2. So none of the Pet Specialty results that we just talked about for Q1 include Carnivora being in the marketplace. And so we'll – that's why as we think about Pet Specialty, our initiatives to improve the growth in that channel really start in Q2 and Carnivora is a piece of that.

The growth expectations you talked about will certainly be consistent with what we would have in mind. We think they'll be incremental. It is certainly accretive from a price per pound perspective because it is really premium priced even to Wilderness. So to the extent that there is steal from other product lines, I mean it'll certainly be price accretive for General Mills.

And there's one more question you had that I – Oh, shipments, the difference in shipments really and consumption is that it's really the extra week. So it's not necessarily inventory build. It's really the extra week because our – kind of our like-for-like sales were up mid-teens in terms of growth. And so the difference between that and retail and what we reported was really one extra week, and our shipments lined up pretty well with our external takeaway.

Jason English

Got it. Okay. I'm tracking. That makes sense to me. And in terms of the margin profile for the business relatively healthy even absent the step-up, the lumpiness of the inventory step-up cost. Do you still – is that business, the profitability, still being burdened by the plant start-up expense? And could you remind us sort of the cadence to that start up and what sort of margin acceleration, we should see as you ramp capacity in this new facility?

Donal Mulligan

Yes, we've largely through Q1 now digested the plant start-up costs. So the benefit of the new plant will begin coming through as you alluded to, we're pleased with the Q1 margin performance beyond just the step-up, just the increase of the lapping the inventory step-up charge from last year, we had nice flow through on the incremental sales that we saw on a like-for-like basis, and we expect that to continue for the year. We expect this business – and while we're talking, our business, to be – going to be actually most profitable segments. And I think you'll see that is the year unfolds.

Jeffrey Harmening

To build on Don's comment I think the other reason we saw good profitability in the first quarter was because of our pricing. I know there's been a lot of discussion on pricing and Pet, but we saw seven points of price mix and we saw all – kind of all sizes of our Pet products improve in pricing in the first quarter, and while we sold 85% more of the small bag. We sold 220% more of the larger bags and so the, as we look at it. Our price per unit was up I think 15% or something like that. So in addition to what Don talked about in terms of the plan start-up. We also saw good pricing in the first quarter.

Jason English

Got it. Thank you very much guys. I'll pass it on.

Operator

Our next question comes from the line of Michael Lavery with Piper Jaffray. The line is open. Please proceed.

Michael Lavery

Good morning. Thank you.

Jeffrey Harmening

Good morning, Michael.

Donal Mulligan

Good morning.

Michael Lavery

Could you just dissect price mix a little bit further, obviously there is a bit of a lift from just better momentum on Blue Buffalo and some of what you just referenced, within that segment as well, but are there any trade promotion timing shifts or anything we should watch out for in terms of pacing. And then a separate from that, can you just dissect a little bit what the drivers – is it some of the more weight outs or list pricing, what are some of the mechanics of how you're building the good momentum you're getting there?

Jeffrey Harmening

Well, I would say. Let me start with an answer. I mean pricing in Pet is probably the most complicated ventures because there are so many different sizes and formats available. And so if I go too far on the weeds, I'm afraid we may lose everybody. But what I say is that as we look at, we did take list pricing last January. So we did see some list pricing, we also saw some positive mix by bringing wilderness in.

And the other thing I mentioned our small sizes less than five pounds we actually, increased the price of that over the quarter by 15% and the price per pound is pretty high, and the small bags. And we sold a lot more of the larger bags the 10 pounds to 20 pounds and we increased the dollar sales a load by 220%, and the pricing of that was up 9%.

And so – and there are a whole lot of things going on. But I think that's why I read it back up to – we get seven points of price mix and total and some of it was less pricing and some of it is mix and we think we'll continue to see some pricing into the next quarter on less pricing and we'll see some more on the mix as well.

Michael Lavery

And I apologize. That's very helpful color. Maybe I've worded it poorly. But I meant total company, with that being a piece. Can you just touch on some of the broader levers, just as far as the rest of portfolio?

Donal Mulligan

Yes, Michael. This is Don. We continue to expect their price mix is going to be a positive contributor all year. Each of our segments have plans in place to drive price mix some through price, some through mix, some through a combination. I think if you look quarter-to-quarter, Jeff touched on some of the dynamics, you'll see in Pet.

One of the things I would highlight is the other thing that we touched on was the shift in timing of our promotional activity in EU, particularly in the UK and France, which is going to shift more into Q2 and Q1 on a year-over-year basis, that would be the other thing that I would point to.

We also do not expect weak prices to rebound. So the drag that we saw for weak prices in the first quarter in C&F will continue to expect volume to improve at our flour, but not necessarily the pricing component. Some of the main other that I think you're going to see fairly consistent and positive pricing through the year, not certainly at the level of the Plus 3 we saw in the first quarter, but the full-year we still expect it to be positive.

Michael Lavery

Okay. Great. Thank you very much.

Operator

Our next question comes from the line of Robert Moskow with Credit Suisse. The line is open. Please proceed.

Robert Moskow

Hi, good morning.

Jeffrey Harmening

Good morning, Robert.

Robert Moskow

Hi, there. I've just two questions, one is your share gains in breakfast cereal have been really impressive, the execution has been great. Should we expect tougher comparisons for the rest of the year in terms of market share gains for breakfast cereal just because you're lapping some launches or do you think that you can continue that momentum?

And then second question is on Convenience and Foodservice, I get the impact of the flower, but your profits are down to in the quarter. And I was just wondering, I thought I remembered last year that you had taken pricing maybe ahead of inflation in your Convenience Store part of the business, and I thought that there was kind of a risk that, okay, at some point that pricing would have to come back down. Am I misinterpreting that? Or should we assume that your pricing in Convenience and Foodservice ex flour is still in line with inflation? Thanks.

Jonathon Nudi

HI. Rob. This is Jon. I'll take the U.S. Cereal question first. I would say we feel really, really good about our Cereal business in the U.S. we grew an absolute terms for the third consecutive quarter we've actually grown share for seven of the last eight quarters, and it's really behind very strong fundamentals starting with brand building, I tell you that we're more clear than ever on who are.

Core consumers are for each of our brands, whether that be your boomers for having that cereals where we're serving up cholesterol messaging and heart health; whether it's being on Reese's Puffs, collaborating with Travis Scott, or finally, on Wheaties, doing things like partnering with Serena Williams and the U.S. Women's National Soccer team. I think our marketing is as strong as it's been for quite some time, and that's really driving our baselines.

And then Jeff touched on the upfront remarks on innovation. We had five of the top six products in the category in fiscal 2019. And our innovation in fiscal 2020 is off to a good start with Blueberry Cheerios and Peanut Butter Chex. So we would expect to continue to perform well and we fully intend to continue to hold and grow our share leadership in the category.

Robert Moskow

Got it.

Donal Mulligan

And Rob, on C&F, your recollection is correct. We did – we start taking pricing at the end of our F 2018, we saw the benefit of that in our Q1 of F 2019 that's one of the contributors to the fact that we grew profit 14% last year, it would be top line 4% and the bottom line is 14%.

And set pricing – the pricing has held we are lapping it though. But we did have positive two points of price mix in Q1, which is a reflection of the fact that pricing has held, and we continue to expect with food service to have positive price mix for the full year.

Robert Moskow

Okay. So we shouldn't expect kind of a give back on profits as a result of that. It's like you've taken the pricing you've held it and you're now in line with your inflation?

Jeffrey Harmening

Yes. That's correct. We just in Q1, it was just lapping the initial – initial in case of the price increase.

Robert Moskow

Got it. Okay. Thanks.

Operator

Our next question comes from the line of Alexia Howard with Bernstein. The line is open. Please proceed.

Alexia Howard

Good morning, everyone.

Jeffrey Harmening

Good morning.

Alexia Howard

All right. So just a couple of quick questions here, firstly on pets. I think one of the larger players, talked about increasing competitive – increasingly competitive pricing in the Pet Specialty channel, particularly around trial-sized bags.

Is that something that you saw? Or is it really just not something that particularly directly in competition with you clearly you've managed to take pricing and mixed up kind of across the board.

But I'm just curious about those competitive dynamics in there. And then sticking with pet are you able to make any preparations for the likely increase in meat prices next year because of African swine fever? Or do you believed that your mix of meat is likely to mean that you're really not that exposed to that potential increase in input costs? Thank you very much and I'll pass it on.

Jeffrey Harmening

Yes. So, Alexia, on the pricing, first, I would say from a macro perspective, kind of starting with consumer, you don't win in the Pet segment by taking prices down. You win in the Pet segment by delivering what parents are looking for, which is one of the reasons why private label is so low in Pet.

People are looking to feed their pets, the best quality product and we think in many cases that's Blue Buffalo. So that's kind of our starting philosophy. In terms of the small sizes, I can understand the commentary because our small sizes were – by maybe one of our competitors, because our small size, growth was up 85% in the food, drug and mass channel. But our growth overall was up 137%. And the – our small sizes are still in many cases are 100% premium to our largest competitor, so they're still premium priced.

And the prices in the first quarter on the small sizes were actually up double-digits on a price per pound basis. So when I look at it. Yes, we have more small sizes, but that's because we were growing more quickly in a new channel. It is certainly not our intention and it didn't manifest itself in the first quarter that we're going to be more competitive on price.

And I think that's why I spent some time also referencing the price mix for us was up 7%, so in terms of being more competitive. I suppose, if you consider that we entered pretty, pretty forcefully into a new channel. Yes, it's more competitive in that sense, but on a pricing sense actually no.

Alexia Howard

Great. And on the African swine fever?

Donal Mulligan

Yes. To the extent that – we're not going to give a forecast for next year's inflation, we'll take that into consideration as we're building the plan for next year. To the extent that we see inflation, we would have cost actions are pricing actions to offset it.

Alexia Howard

Okay, great. Thank you very much. I'll pass it on.

Operator

Our next question comes from the line of Ken Zaslow with Bank of Montreal. The line is open. Please proceed.

Kenneth Zaslow

Hey, good morning everyone.

Jeffrey Harmening

Good morning.

Kenneth Zaslow

Are there any more initiatives? Or what's the runway on HMM? You don't talk as much about that as you used to, so I'm just trying to figure out, I know it's a consistent cost savings opportunity, but is there incremental opportunity. Is it still going at the same pace? Can you just give a little bit of parameters around that? And how much cost opportunities it will be, not just for this year, but going forward?

Donal Mulligan

Yes, Ken. Thanks for raising it. HMM is certainly one of our, I think, our key capabilities, and one that sometimes we take for granted. So I appreciate you raising it, because it is a strong contributor to our profit picture again it will be roughly 4% of our COGS this year, fully offsetting what is a bit of an elevated inflation period.

As you will know the kind of most recent new capability or aspect of global sourcing of HMM that we implemented was our global sourcing. That continues to pay dividend, not only in our savings, but you saw it in our working capital as well with continued extension on our terms and accounts payable, so it has a double benefit for us.

And we continue to add new capabilities. And as those manifest themselves and we have line of sight to the incremental savings that are available, we will certainly be vocal about that externally. As you look today, we are very comfortable with 4% of sales or – 4% of COGS as a solid runway for our HMM initiatives.

Kenneth Zaslow

And then just my follow up is, can you talk a little bit about e-commerce? I didn't hear any details on that. I'm assuming it's still growing, but any sort of commentary on that would be helpful as well. I'll leave it there.

Jonathon Nudi

So, Ken. This is Jon. Maybe I'll talk about North America Retail. We continue to see nice momentum in e-commerce it was up about 50% in Q1. In North America, we continue to over index online versus bricks and mortar as our capabilities are strong and again we're working hard to make sure we are top of the basket. And we feel like we've got great capabilities that are again helping us to be advanced in this space. Continues to grow nicely, we think we're well positioned.

Kenneth Zaslow

Great. Thank you.

Operator

Our next question comes from the line of Bryan Spillane with Bank of America. The line is open. Please proceed.

Bryan Spillane

Hi, good morning everyone.

Jeffrey Harmening

Bryan, good morning.

Bryan Spillane

Just one question from me I think at the top you talked a bit about just how in the first quarter, sales were a little below expectations for the reasons you cited in the places where you did, but actually profits running ahead of plan. So I guess could you talk a little bit about what's driving that.

But I guess, more importantly, as we look through the rest of the year to the extent that profitability is running ahead of plan, would the bias be to spend that back especially given the success that you're having continuing the improvement especially in North American Retail? Is it just provide more flexibility in case stuff goes wrong? But just trying to get a sense of how we should interpret that?

Donal Mulligan

Sure, Bryan. I'll do the full year first. And you think about the year, as we talked about in July, we expect our strong margins to be stable for the full year. There's a couple of factors to take into account. One is the purchase accounting adjustment, that was a Q1 plus. I talked about positive price, mix which will be a benefit all year.

HMM and inflation will be largely offsetting through the year and our brand-building investment was up in Q1 and that will actually increase during the course of the year. So our strongest margins will be in Q1, largely because of the lapping the purchase accounting, but also because the brand building, while it was up, will increase during the course of the year. So that's why I think about the year how the margins are going to unfold.

Bryan Spillane

Okay, great. Thanks. And if I could just follow-up just in China, I think you made the mention about maybe slower traffic in the shops for I guess Häagen-Dazs in China. Just is there anything that we should be thinking about there in terms of just the macro environment getting slower, I think before you started the year you talked about maybe poor cost being up for Wanchai Ferry just a little bit more color on what's happening in China and just how we should think about that would be helpful? Thank you.

Jeffrey Harmening

Sure. Yes, in China, the growth did slow in our shops in the first quarter and that's not – that was not unexpected because we have seen the economy slowing there. It's still growing. So when we say the growth has slowed it has shown but it is still growing, which I think is important. And we've adjusted some of our tactics for our Häagen-Dazs shops to drive more traffic starting in starting in the second quarter.

And then on Wanchai Ferry we took prices at the end of last year because we saw the African swine fever and the pork prices go up. So we took some pricing, and we did so a little bit ahead of our competition. We've seen them starting to take pricing there.

So as we head into the second quarter we see improvement in our Wanchai Ferry business. And so in China, we saw our business in China decline a little bit, but not really a lot behind our expectations because we saw these macro forces at play.

And so our ability to get our China business back to growth really doesn't depend on a change in the macro environment. It really realize on tactics we've taken to drive more consumers in store and on our competition catching up with us on pricing on Wanchai Ferry, which is why we have confidence that we can improve that business heading into the second quarter.

Bryan Spillane

Great. Thanks, everyone.

Jeffrey Harmening

It's time for one more.

Operator

Our next question comes from the line of Steve Strycula with UBS. Your line is open. Please proceed.

Steven Strycula

Hi, good morning, everybody.

Jeffrey Harmening

Hi, Steve.

Donal Mulligan

Good morning.

Steven Strycula

So one quick question for Don, and then a follow-up. So on the gross margin piece Don, if we strip out the Blue Buffalo contribution is it right to think that gross margins were up roughly about 30 basis points in the first quarter on a like-for-like basis, and given the brand building that you're doing? Can you speak to what specifically it is throughout the balance of the year? And why that steps up? And should that mean that maybe the run rate for the balance of the year is closer to like flattish. And then I have a follow-up. Thanks.

Donal Mulligan

Yes. That's the math is right on Q1. So the $53 million step-up in inventory rolling over is about 130 basis points, so it does account for most of the gross margin improvement. As the year unfolds we're going to – we're seeing a slight step up in our media, that will increase, we're also keen to build capabilities around data and analytics to get deeper in that area.

I think we talked about that a little bit in July, we've built e-commerce capabilities, we continue to invest there. We can do invest in our strategic revenue management all around how we manage and drive decisions through data, and you'll continue to see those capabilities being invested behind as the year unfolds.

Steven Strycula

Okay. And my follow-up for Jeff, so do we see that incremental spend for brand-building and data analytics. Is that going to be more SG&A? Or is that still, for accounting purpose, roll through COGS?

And then a strategic question is, the inventory drawdown that we're seeing in the U.S. is that at all tied to the evolution of click and collect, meaning how retailers are merchandising in their stores and inventorying them or just carrying fewer days on hand because of how click and collect impacts the business. Could you comment there? Thank you.

Jeffrey Harmening

Yes. So on the brand-building side, I would say without getting into specific on where it goes on the line of the P&L, what we're talking about on brand building is not increase – is not increased price promotion, it really is brand building and whether we do that through our customers or whether we do that through some sort of a mass media as Jon Nudi highlighted, I think our North America Retail Marketing is really good right now, especially in Cereal, but even for some of our other businesses and on Pet.

And so to the extent that we see an opportunity to improve our brand building behind things like Pet or Old El Paso or Cereal we'll continue to do that because we're seeing some pretty good returns and we like what we're doing. So I'm not going to get go line-by-line, but that's what we see. And then your second question…

Steven Strycula

Inventory?

Jeffrey Harmening

On inventory, you want to talk about that?

Jonathon Nudi

Yes, sure. So Steve, I'd say the inventory reduction is probably less tied to click-and-collect, but related to data analytics and just technology. I think our retailers have better tools now, it's really I understand how much the inventory, they need to have in the warehouse, as well as on the shelf, and they're leveraging that technology to bring down their inventories and still have good in-stock position. So again, I think its technology and data analytics, not necessarily click-and-collect.

Steven Strycula

All right. Thank you.

Jeffrey Harmening

Okay. I think that gets us to full-time. Thanks everyone for your engagement and will be available throughout the rest of the day for any follow-ups. Have a great day. Thank you.

Operator

That does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines.