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West Pharmaceutical Services, Inc. (WST)

Bank of America Merrill Lynch Health Care Conference

CORPORATE PARTICIPANTS

Eric M. Green
President, Chief Executive Officer & Director

William J. Federici
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OTHER PARTICIPANTS

Derik De Bruin
Bank of America Merrill Lynch

MANAGEMENT DISCUSSION SECTION

Derik De Bruin
Bank of America Merrill Lynch

I'm Derik De Bruin, the Life Sciences Tools & Diagnostics Analyst here at Bank of America Merrill Lynch. Welcome to our 2016 Health Care Conference. Our next company up is West Pharmaceutical Services. Today with us, we have Eric Green, the CEO; and Bill Federici, the CFO. This is all fireside chat, so we'll just get right into the questions.

QUESTION AND ANSWER SECTION

Derik De Bruin
Bank of America Merrill Lynch

Q

So, Eric, you're relatively new CEO, hire to company. I guess, can you sort of talk to us about since you've come to West what's been the big surprise?

Eric M. Green
President, Chief Executive Officer & Director

A

Great. Well, first of all, Derik, thank you for the invitation. It's been a very productive day for Quintin Lai and Bill Federici and I with the number of investors. When you take a look, I've been here one year as of last week and I will tell you there's often pluses and surprises I would say is that we have a really strong strategic direction this business has been built on for a number of years.

In fact, towards the fall of last year, we spent time looking at the strategy of the entire enterprise. And after we concluded the process, we identified that the fundamental principles of this company is very strong, it's aligned with the markets, but there is other opportunities to continue grow top-line and bottom-line more aggressively.

And so, we're embarked in that process. And I would say that what's really surprised me at West, one is the level of customer intimacy the company has already, which is already high, our interactions in the criticality of West with our customers is pretty – it is impressive. I think secondly is that we have a extremely strong quality culture at West, which is really driving our operations like 28 sites around the world and give us a really strong position with our customers and the credibility of providing high quality products each and every day. So it's been a good journey of one year, it's like sets of journey, so we have many more years to go and we have a very strong team in place that's going to deliver.

Derik De Bruin
Bank of America Merrill Lynch

Q

So, I've covered West since 2007. I'm one of the few analysts has a history of the company. My very first meeting I had with Don and then Bill, they told me the biggest risk to the story is timing and things always take a little bit longer than expected when [indiscernible] (2:27) evaluate new packaging products. Indeed, I think Crystal Zenith has taken a longer to ramp, I think maybe by a couple of years by despite obvious advantages to the packaging product. Why is it take customers so long to embrace new products?

Eric M. Green
President, Chief Executive Officer & Director

A

Well, it's two-fold. One is the hesitancy to change. So we look at Crystal Zenith in the [indiscernible] (2:52) – the value proposition to customers. It really supports the biological increase of injectable medicines, but the issues I faced with glass on delamination. More recently, we have communicated one product we have been working on with CZ and the customer is around the cold chain storage, some products are being – these biologics are being stored in negative 170 Celsius. And so, the CZ value proposition supports our customers.

So, it does take because of the hesitancy of change, but on the positive side, instead of looking at the opportunity, the stickiness for the long-term relationship we have with the customers was [indiscernible] (3:37) on a new CZ opportunities or even get into SmartDose is very long and switching costs are high. So it's taking time, but we're seeing positive traction at this point with CZ [indiscernible] (3:51).

Derik De Bruin
Bank of America Merrill Lynch

Q

So given that the businesses are sticky and you've got such a high market share, switching costs are high, why not just raise the hell lot of prices?

Eric M. Green
President, Chief Executive Officer & Director

A

That's not our focus. If we take a look at West, we're going to be extremely disciplined on price. I can say that our net price contribution at West for the past few years and going, as we look at today, is about 1%, to be 0.8% to 1.2% depending on the quarter. So our attention to price and how we price with our products to customers is really disciplined.

Take a look at a different angle from our customers point of view as such is one drug that we're on, we're usually on multiple, if not all of their injectable drugs. And so, therefore, it's that discipline of be able to price appropriately and then continued at the additional value propositions so that you can get more revenue per unit.

Great example is the high value product initiative that we have is 40% – it's about 33% of our business today, it's seeking the standard packaging goods and moving up the quality chain within FluroTec coating, Envision, Westar washing, all these attributes that we add to the product is allowing us to capture more value from our customers and that's been our focus moving up to high value product chain.

Derik De Bruin
Bank of America Merrill Lynch

Q

Okay. You just preempted my question number four. So let's go to this one, which is since your products are specified in the drug master files, what does this mean for biosimilars? I mean, do they have to use the same products or same technologies and packaging, or is there – are they going to back – basically take all the time to reevaluate?

Eric M. Green
President, Chief Executive Officer & Director

A

It's very much taking the existing packaging formulas and using those for the biosimilars. There's a lot of continuity to the high-value products in the existing portfolio. So, there is not going to be a long time duration to identify which products to go with their biosimilar into the marketplace. So, it's very low, but, again, that is very sticky though. So once we make a decision on their packaging solution, the longevity of that relationship is quite long.

Derik De Bruin
Bank of America Merrill Lynch

Q

And you are able to do some of the competitive advantages on the CZ resin. A, one of the things we've also seen has been about drug wastage and overfilling of vials. Is that sort of one of the value proposition that's offered for the product?

Eric M. Green
President, Chief Executive Officer & Director

A

I mean, at CZ, what we're able to do is enable to package the component for exactly the amount of doses that we want to give – administer to the patients. So when they talk about 3.5 ml with the CZ technology, we are able to deliver the 3.5 ml with no residual or no – because of the way the CZ files are designed and manufactured, we're able to get the exact doses so that is the benefit.

Derik De Bruin Q
Bank of America Merrill Lynch

What's the margin difference...

Eric M. Green A
President, Chief Executive Officer & Director

In regards to...

Derik De Bruin Q
Bank of America Merrill Lynch

The CZ versus glass.

Eric M. Green A
President, Chief Executive Officer & Director

Well, the price points are different, so the glass, the syringe for example could be between $0.50 $0.70 per syringe. We talk about Crystal Zenith syringe here in the area of $2 to $4 depending on the volume.

Derik De Bruin Q
Bank of America Merrill Lynch

Got it. Could you tell us how many customers are certainly wearing the product and have any near deployment?

Eric M. Green A
President, Chief Executive Officer & Director

Right now, regarding CZ, we have between 12 and 14. We'll give specific about the customer names that are in formal stability test. We have roughly approximately over a 100 customers or 100 drugs are being tested on or worked with CZ being evaluated at this time.

Derik De Bruin Q
Bank of America Merrill Lynch

So, moving a little bit more near-term, the first quarter was certainly well ahead of successions, about 10% organic revenue growth. Could you talk a little bit about the business dynamics that sort of [indiscernible] (8:06) outperformance and how that sort of flows through the rest of the year?

Eric M. Green A
President, Chief Executive Officer & Director

Yeah. Derik, when we take a look at the business, just to put the [indiscernible] (8:11) dimension of business first of all, the rates today we have approximately 20% of our customers are biologic customers, 30% generics, and both of those categories grew well in the double digits. So when you take a look at, the customer segments are growing the fastest, whether it's the marketing conditions, also new launches, it's the biologics and generics.

The pharma piece is about mid-single-digits growth that we observed in the first quarter and going forward, this year we believe be consistent and that's roughly around 30% of our business. The balance of the 20% is contract manufacturing. We did produce low-single-digit results you can see, but long-term for the full year, we're expecting about mid-single-digit and that business tends to be more lumpy.

But the drivers of the growth, we talk about the 10.5% organic growth for the entire business. The number one driver was, from a product point of view was the high value products grew on a constant currency rolling 22%, again driven primarily from the biologics and the generic customer segments.

Derik De Bruin
Bank of America Merrill Lynch
Q

So, how much lead time do you have, how much visibility you have and sort of like how do customers manage inventories?

William J. Federici
Chief Financial Officer & Senior Vice President
A

Sure. So, Derik, we have about $430 million of backlog from committed backlogs, that is [indiscernible] (9:39) shop and the customers will provide us with a firm commitment for their orders and that number stood at about $430 million, very much higher than a year ago same period, about 24% higher, but about 5% higher than the year-end number. Part of it as you're alluding to is due to some of the issues around throughput in some of the areas of our high value product plans. So, in the area of washing and bagging that off in the finishing rooms, clean rooms, some of those lead times have been expanded.

And so, from the customers' perspective, he is going to put in more orders, because he needs to make sure that he is going to have enough product on-hand. So, we've seen a little bit of an elevated level in the backlog from the last few quarters, but as we work through, we are currently working through some of those bottlenecks in the production process. And as those bottlenecks release, you will see our lead times will come down. And then what we do believe will happen is our backlog will come down as customers believe that they no longer need to place those orders this far in advance.

Derik De Bruin
Bank of America Merrill Lynch
Q

Got it. And are the contracts typically take or pay?

William J. Federici
Chief Financial Officer & Senior Vice President
A

No, but the orders are firm committed. So, if you have a customer and they give you an order, they can move the timing in that way.

Derik De Bruin
Bank of America Merrill Lynch
Q

Got you.

William J. Federici
Chief Financial Officer & Senior Vice President
A

They can never take it off the table.

Derik De Bruin
Bank of America Merrill Lynch

Q

Okay. [indiscernible] (11:06)?

William J. Federici
Chief Financial Officer & Senior Vice President

A

Pay to use or take or pay.

Derik De Bruin
Bank of America Merrill Lynch

Q

Yeah, okay. Got you. So, you talked about sort of like a organic revenue growth number in the mid- to high-single-digits sustainably – yes, sustainably going forward.

William J. Federici
Chief Financial Officer & Senior Vice President

A

Yes.

Derik De Bruin
Bank of America Merrill Lynch

Q

And so how do you get to – which contributions from HVP, from new products [indiscernible] (11:31)?

William J. Federici
Chief Financial Officer & Senior Vice President

A

Let me take that.

Eric M. Green
President, Chief Executive Officer & Director

A

Yeah, [indiscernible] (11:34).

William J. Federici
Chief Financial Officer & Senior Vice President

A

, when we look at that 6% to 8%, it's really a accumulation of all the different growth rates. So for high value products, once we talked about – Eric talked about earlier for, the packaging components are used for biologics in the generics industry as well as some pharma industry products. Those who are growing in the high-singles to low-double-digits and will continue to do so driven by the demand for chronic diseases are increasing in elderly populations. Those are being treated with drugs of biologic origin, nearly all of which are injected and which we have very, very high market shares. So we believe our ability to continue to grow commensurate with those industry growth rates makes a lot of sense.

In the standard packaging, as Eric said, that's going to grow in the kind of mid-singles driven by the pharma space and by some of the things like animal health, whether it would be dental or normal antibiotic type injections, which were all standard products, that will be mid-singles, which we've seen it growing past years in that same kind of amount. The high value product space for proprietary devices we think will continue to grow in the double-digits as well, driven by things like SmartDose and CZ sampling activities.

Contract manufacturing, as Eric said, we had a weaker than normal first quarter, but we believe that that will come back into that kind of mid-single-digits going forward. So as you triangulate all of those, put them all together, you get about a 6% to 8% growth rate, which we believe is sustainable.

Derik De Bruin
Bank of America Merrill Lynch

Q

So, I mean, it's like you know, as you said, the business is sticky, it's not like you're going to – someone's going to suddenly swap you out of anything. So, is the best sort of leading indicator on your business that those revenue numbers are realistic? Is it FDA approvals? I mean if somebody [indiscernible] (13:36) like will the pill count keeps going up, so we know HPLC is going to do well. So how do we look at your business is sort of like leading indicators, how do we get comfort that – we don't know what specific drugs you are working on, you don't disclose any information. So how do investors gain comfort that, that this market is going to materialize?

Eric M. Green
President, Chief Executive Officer & Director

A

You know, I had a comment. When we take a look at the [indiscernible] (14:02) business and if you look at an aggregate on the whole, we are about 70% market share in the western markets. So, what drives that is units, administrative drugs, not end pharma sales and so forth. So, it is about the volume.

Specifically, when you look into biologics arena, we believe based on the data that we have, we tend to use lot of this similar data points here looking at the IMS and others, where we believe we're at this point in the top 35 biologics, the injectable drugs and as you know, biologics 98% of them are injectables.

And so, the trend of more biologics going just to the marketplace are positioned with the biotechs, the large and the small gives us the really good position. So the indicators, leading indicators will look at is the pipeline. The units used on the drugs into the marketplace is particularly in the Western markets, this is what we are mostly focused on and those tend to be the good leading indicators.

Derik De Bruin
Bank of America Merrill Lynch

Q

So, could you talk a little about your previous expansion, emerging market expansion and sort of comp – what's worker composition...

Eric M. Green
President, Chief Executive Officer & Director

A

Yeah.

Derik De Bruin
Bank of America Merrill Lynch

Q

What's the market opportunity?

Eric M. Green
President, Chief Executive Officer & Director

A

Yeah. That's correct – good Derik. One thing that we see right now, our business in Asia specifically is owning 7%, interest rounded off in the U.S. America as we call it, 53% in the balances has really EMEA. We have opportunities for growth in emerging markets both in Latin America, but more specifically in China and India. In fact, we are actually seeing good progress in India and also little bit in China.

The focus that we have there – and it's – you've seen this another industry special life science tools and other companies, where you are starting to look at look localization. That means having clients there localized, meeting the local regulatory requirements, specifications, bringing the quality standards that what we're accustomed to and allowing ourselves to be more specific on what the local markets are requiring. Great example, at this point, is we have built a steel manufacturing capability out of the Indian industry city, just out of Chennai.

That facility has been offering since about a year now, a little over a year and it's just profitable today as a startup and reason why is because they really targeted the local markets. Yes, some of the drug has been exported as generics from the large local pharma companies, but there's a large customers that we were working with in the markets. So, we have opportunities to expand that, we want to continue to invest in those markets.

We have assets in China, very well built facility, just out of Shanghai. The facilities in India, as I mentioned and we have a very strong presence in Singapore, which we use as a hub for the region. So, I think, we're very well positioned and that was your partner in Japan with Daikyo. So, I think the opportunity to make it greater than 7% over the near term is quite high.

Derik De Bruin
Bank of America Merrill Lynch

Q

So, your Analyst Day outlook in March, the revenue ramp, the revenue build is rather back-end loaded in the five year outlook, primarily after a number of capacity additions and mix. Basically, your building capacity now to sort of meet those demands if there is, it's like – it could be. So keep talk us to of what capacity you're doing, what your CapEx needs are and sort of how is to say, if we build it, they will come sort of situation or is the capacity already spoken for?

Eric M. Green
President, Chief Executive Officer & Director

A

Well, let me comment and Bill can give details about the CapEx spend. Today, we've completed an expansion in Kinston, North Carolina, last – end of last year and we're having customers validate the process so they can transfer existing and new production demand for high-value products to Kinston, North Carolina, that helps us debottleneck some of our processes [indiscernible] (18:18) other locations.

Our investments in Waterford, Ireland gives us the opportunity to twofold, one is around the insulin market that we're focused on, where we have a very strong position as to provide an alternative location. So it is a risk mitigation process, but more importantly, I would say it gives us a platform to start building, finishing processes for the high value products, again to meet the demand curve that we're currently seeing right now. And we anticipate to see for the next couple of years, and that facility, the first phase will be completed in 2017, first commercial dollar will be in the first part of 2018.

And we continue to invest in our facilities for expanding capacity. So, yes. But once in that, we're looking at with our CapEx, we do spend about $150 million to $175 million this year, that's the amount we're going to spend. But as we look forward, we don't believe that number is going to increase, in fact we believe we can keep a static and as a percentage of sales, it will come down. And that's the focus we have in building centers of excellence versus building additional locations.

William J. Federici
Chief Financial Officer & Senior Vice President

A

And you said it earlier Derik that we need to build in advance.

Derik De Bruin
Bank of America Merrill Lynch

Q

Yeah.

William J. Federici
Chief Financial Officer & Senior Vice President

A

We don't have the luxury of making widgets where you can build the factory, in the next day you turn on to switching you are able to manufacture, there is a – there is regulated process involved there, not only we have to produce that create the manufacturing suite, but the customers then have to validate it. So, it takes a long time to put up bricks and mortar. So, when we're looking at something like Waterford, we are investing – we'll invest $60 million this year in Waterford Island for that, mostly for the redundant sheeting material for insulin, but also the guts for the finishing facility.

We want to see the commercial dollars for that until the very, very bad part of this plan. Similarly, with the work that we've done in Kinston, we've done that, it's done, it's ready, but as you can see, it takes a while for customers to validate that process. So, we believe that these are all the right things to be investing in and we'll continue to invest in the core manufacturing process and being able to provide ourselves with additional capacity for high value products to meet the growing demand.

It's not that we will build it and they will come. We've looked into the future, we've done demand planning with our – both the manufacturing side, the marketing side and the sales side of our businesses, to look at where the demand is coming from, being driven as we said earlier by biologics and generics and also some pharma. And we've said that these are the things that we have to do to maintain our competitive edge and be able to serve those customers.

Derik De Bruin
Bank of America Merrill Lynch

Q

[ph] Because (21:06) I think it's an important point, just because when I go back and think about our conversations we were having with people in 2002, 2003 timelines, when people were getting excited about some of the biologics like Avastin, some of these things and you had people building big facilities like, then got stuck with, these large stainless facilities, [indiscernible] (21:29) technology shifted. I think that's [ph] where (21:32) the concern from investors is that, if you build this, is it going to be – is the market going to [indiscernible] (21:37) something going to shift, suddenly are the RA drugs [indiscernible] (21:41). I think that's – I mean, that's, I think is the biggest fear, when I sort of talk with people. So, now you're talking about the guidance implies for the five-year plan and [ph] 9/11 (21:52) sales CAGR, somewhere between 500 basis points and 900 basis points of margin expansion in that. And that's very, obviously, it's very ambitious on that. So, what's – how do you get there beside just volume and mix, [indiscernible] (22:06) margins?

Eric M. Green
President, Chief Executive Officer & Director

A

Let me, Derik, [indiscernible] (22:07) take a look at the margin expansion, [indiscernible] (22:11) around 600 basis points over the next five years. There is three drivers, one, yes, we are getting price about 1% per year, put that on the table. Secondly is, we have this natural margin expansion, that's occurring due to high value products, just to give you an idea, when you take a look at the high value products growing in the double digits, then margin comparison to the standard products is two to one. So, its roughly around 60% margin versus a 28%, 30% on the standard products, that natural mix shift is causing the majority of this expansion.

The third, which I think is very important to at least comment on is, with the reorganization that we'v egone through in the last – end of last year and beginning of this year, we've actually globalised our operations. What does that mean? We operated historically as independent sights for countries or even regions and by globalised in our operations, we're able to sort of identifying synergies and opportunities to leverage existing assets and operational excellent capabilities to drive margin expansion. So, leveraging existing assets, is the third element that we were quite confident. [indiscernible] (23:25) talk about 600 basis point expansion.

William J. Federici
Chief Financial Officer & Senior Vice President

A

And there is just a little bit, in addition to everything that Eric said, on a device side. We do believe that, we'll get some lift both on the revenue...

Derik De Bruin
Bank of America Merrill Lynch

Q

Right.

William J. Federici
Chief Financial Officer & Senior Vice President

A

...and margin side from devices like CZ and SmartDose, the timing of which as you mentioned earlier is not under our control. So, we put some bands around the revenue target and then margin target to compensate for some of those potential differences, but once we get out past that inflection point where we start to see some of those commercial dollars come in, we believe that the margin growth will get off of those products, as well as the revenue growth will be above and beyond that 6% to 8% and the margin expansion that we see in the near -term.

Derik De Bruin
Bank of America Merrill Lynch

Q

So, you're expecting SmartDose sales start increasing in this year, right?

William J. Federici
Chief Financial Officer & Senior Vice President

A

Of course.

Derik De Bruin
Bank of America Merrill Lynch

Q

Yeah.

William J. Federici
Chief Financial Officer & Senior Vice President

A

We predicted about a 50% increase.

Derik De Bruin
Bank of America Merrill Lynch

Q

Yes.

William J. Federici
Chief Financial Officer & Senior Vice President

A

In SmartDose and CZ sales. But that's of a $30 million base.

Derik De Bruin
Bank of America Merrill Lynch

Q

Right, right.

William J. Federici
Chief Financial Officer & Senior Vice President

A

So, Yeah. When you're $1.04 billion company, it's not the biggest thing that we have to worry about, still as Eric said earlier, the core components business especially the high-value products are driving the bus, and it will continue to do so.

Derik De Bruin
Bank of America Merrill Lynch

Q

And so, what's the – I think the CZ case has been laid out fairly well, so let's talk about SmartDose. Where does that sort of fit into the competitive environment, I mean, there is lots of infusion pumps to grab there? So, how does that fit in and who's evaluating it?

William J. Federici
Chief Financial Officer & Senior Vice President

A

Well, we won't give you specific names other than the one that is public that you know what was very well known about with a PDUFA date coming up in July. But, we have – in addition to that, we have seven other development agreements and if you remember, a development agreement is really a cooperative agreement between us and the customer, where we look at things like compatibility of the drug with the device and with the individual container, primary drug container. Those are ongoing. We believe there is strong demand for things like SmartDose, where you have a drug that can't be formulated down into a standard 1 mL injection and historically what people have done is given multiple injections or other opportunities like infusions.

We see a big opportunity in serving our customers in terms of being able to have a flexible cartridge that's the CZ, it's based on CZ. So, that's flexible dimension qualities and it's able to administer a higher volume dose over a longer period of time subcutaneously on body, by the patient, self-administered in the home and be much more comfortable than some of the alternatives. And that differentiation, that ability to be flexible is something that our customers are really interested in exploring with West and we continue to see a lot of interest in that.

Derik De Bruin
Bank of America Merrill Lynch

Q

So any questions from the audience?

Q

[Question Inaudible] (26:24-26:40)

Eric M. Green
President, Chief Executive Officer & Director

A

Yeah, that's a good question. Contract manufacturing, we believe is core – is part of the value proposition to our customer. So, when you look at our contract manufacturing, you're right, this is an asset we acquired a little over 10 years ago. And what that brings to table is it's about $300 million of business, roughly of which of about 70% to 75% of that is dedicated and focused on the pharma, med device and diagnostics space. The other piece the 25% to 30% is in consumer products.

So taking that [ph] aside (27:11), if we just focus on the med device, diagnostics and pharma, it's the same customers that we're interacting with, we're talking about the [indiscernible] (27:21), we're talking about SmartDose, the delivery device. CZ as a primary container, alternative to glass. So, we are finding synergies when we are having conversations with the large customers, because the fundamental principle of contract manufacturing, why they're successful is, they are able to design and mass engineer and manufacture high-quality products that we can now take that capability, sort of talking about variables and we were able to now take their last [ph] prism (27:54) and put it together with the products. So, there are synergies and opportunities, but the consumer products goods despite a less, a little focal point for us.

Derik De Bruin
Bank of America Merrill Lynch

Q

I mean, I think one of your consumer products, let's assume an example it's the [ph] poly (28:08) deals on the side [indiscernible] (29:09) you make what, like a billion plus, I mean...

William J. Federici
Chief Financial Officer & Senior Vice President

A

1.8 billion.

Derik De Bruin
Bank of America Merrill Lynch

Q

I mean, 1.8 billion of those things [ph] on sides of no cartons (28:17), that you pull on that, so it's a pretty – it's a pretty good business. So we're coming to the end of the hour of time and [indiscernible] (28:25) ask Mr. Eric a couple of questions like, what you are most excited about the West? And what do you think is the most unappreciated aspect of the company, it looks like what is the street missing?

Eric M. Green
President, Chief Executive Officer & Director

A

Well, I think West is – first of all, [indiscernible] (28:40) appreciate by the company and I would tell you, we had been on a great journey. The company is well positioned. We have a strong manufacturing footprint on a global basis. Our customers are global. We have 2,000 active customers today. We're critical in all our customers and there is no one customer that we rely on and it's more than 8% of our sales.

I would say, the position that we're in with the new organization we put in place is more customer-centric, market-led, are on the pharma, the generics, the biologics and the contract manufacturing is opening up opportunities already with discussions [indiscernible] (29:16) can innovate and bring more services, proxy services to those customers.

I believe our – becoming more global in our operations, gives us even a stronger footprint to continue to grow and expand our margins and improve the quality, even at higher level, improve safety and improve profitability. And the last past part I want to comment is innovation and technology. We brought that together. It's a combination of our life scientists, our polymer chemists, our engineers to come together globally as one group versus multiple groups, truly come together with the complete solution for our customers. So, it's a journey ahead of us. We're quite confident at West. But more importantly, we're really focused on our customers and our people. Those are the two main drivers that will continue to differentiate West from other companies in this space.

Derik De Bruin

Bank of America Merrill Lynch

And we're [ph] right on (30:08) time. And with that, thank you gentlemen.

Eric M. Green

President, Chief Executive Officer & Director

Thank you, Derik.

William J. Federici

Chief Financial Officer & Senior Vice President

Thank you, Derik.

Derik De Bruin

Bank of America Merrill Lynch

Thanks, everyone. Thank you, sir.

Eric M. Green

President, Chief Executive Officer & Director

Yeah, my pleasure.