

Goldman Sachs Technology and Internet Conference

Company Participants

- Luca Maestri, Senior Vice President and Chief Financial Officer

Other Participants

- Simona Jankowski, Analysts, Goldman Sachs

Presentation

Simona Jankowski {BIO 7131672 <GO>}

Good afternoon. My name is Simona Jankowski, Hardware and Comtech Analyst at Goldman. And it's my distinct pleasure to welcome here, Luca Maestri, the CFO of Apple. Thanks for joining us today.

Luca Maestri {BIO 15738533 <GO>}

Thank you.

Simona Jankowski {BIO 7131672 <GO>}

Before we start the Q&A I'll turn it over to you for the Safe Harbor.

Luca Maestri {BIO 15738533 <GO>}

Yes. Some of my remarks today may include forward-looking statements. Actual results or trends could differ materially. For more information, please see the risk factors discussed in Apple's most recent Form 10-K and Form 10-Q that are filed with the SEC.

Questions And Answers

Q - Simona Jankowski {BIO 7131672 <GO>}

So Luca, where I wanted to start today is, this year is the most momentous in Apple's history in that, it marks the 10-year anniversary of the iPhone. Yet it comes after your first ever decline for that business.

So just wanted to get your thoughts as you look out to the next 10 years, do you still view the iPhone as a growth business?

A - Luca Maestri {BIO 15738533 <GO>}

Well, that's obviously a great question. I want to point out first of all, that actually during the December quarter, we went back to growth with iPhone. It was actually very good for us to see. We definitely continue to believe that there is a lot of room for growth with our iPhone business.

It starts with the fact that when we look at the smartphone as a product, as a consumer product we really believe it's become more relevant to people's lives than it was 10 years ago, five years ago or even two years ago when you look at how much people rely on their iPhones in every aspect of life, for iPhone payments, in the car, in the home, and so I think that's a great foundation. The fact that the product is extremely relevant to people's life is very important.

We also believe that there is a lot of innovation left in the iPhone, when we look at the key foundational technologies that go into the product, when you look at processors, you look at sensors, displays, batteries, and cameras, right. We made a lot of progress during the last few years on those dimensions, and we think that there is a lot -- a lot of that is left. So we think innovation kind of continues to help us grow the business.

When we look at the markets around the world, there is a lot of growth that is available to us in emerging markets, starting from China to India, many places around the world where the demographics are such that we can expect a rise in the middle class, we can expect that LTE adoption and smartphone penetration will increase over time, and our market share to start with is extremely low. In a lot of these emerging markets our market share is low single-digit. So we can only grow in a lot of these markets. When we look at our customer metrics, they continue to be extremely strong. We look at loyalty rates, we look at customer satisfaction. We look at engagement on our platform, which is extremely high, and that is very good in itself for the future of the iPhone business and for the fact that we also have a services business that is very much related to the installed base of iPhones, which continues to grow very well. And so the sum of all these things, I think we really believe, bode well for the future.

Q - Simona Jankowski {BIO 7131672 <GO>}

And I think, if I were to unpack that answer -- and that was very helpful, if I were to unpack it a little bit, clearly you are looking for share gains into emerging markets where your penetration is quite low. When you talked about innovation, should we interpret that as suggesting that at some point the replacement cycle could accelerate again for the iPhone.

A - Luca Maestri {BIO 15738533 <GO>}

Well, I think we play a huge role in that. Clearly, if we can come up with products that are very innovative, that inspire people, we obviously know that we can drive upgrade cycles. We've seen it with iPhone 6; the level of upgrade rates that we had with that cycle was very high. And it was driven by the fact that there was a lot of pent-up demand for large screen iPhones, and if we're able to put that level of

innovation into future generations of iPhone, definitely we have a very important -- we have a responsibility in that respect.

Q - Simona Jankowski {BIO 7131672 <GO>}

The iPhone has been a real success story in China. Yet last year we had a few quarters when your business in China was down on the order of 20% to 30% and obviously that improved quite a bit in the December quarter. Can you talk a little bit about why you think your sales in China were challenged last year? Was it as simple as comps or was there anything else going on?

And since some of your services are still banned in China, like books and movies, what can Apple do to rejuvenate its iPhone franchise in that region?

A - Luca Maestri {BIO 15738533 <GO>}

Well, I think it's important -- in this specific case, I think it's really important to step back for a second and look at the success that we've had in China over the years. In fiscal '16 we had a \$48 billion business in China. It was \$3 billion just in fiscal '10. So we've gone from \$3 billion to \$48 billion in a very, very short period of time.

And if you take out, for a second, this very strong cycle that we had in fiscal '16, just moving from fiscal '14 to fiscal '16 in the space of two years, our growth in China was 50%. So we've had an incredible level of success in China and we think the success has been driven by a number of factors; some macro factors, the fact that clearly there's been a lot of economic development in the country, to the fact that LTE penetration has improved a lot. But also I think very, very importantly we've been able to create in China, the same type of ecosystem that we have here in the United States. So the type of customer experience a Chinese consumer can have around an iPhone is similar, very similar to what we've got here. We now have Apple Music, Apple Pay, of course the App Store in China and -- that helps us tremendously.

The services business in China is doing extremely well. We doubled the size of the services business in fiscal 16 and we grew it very, very strongly also during the December quarter. So we see that part of the business continuing to do very well. There are a couple of macro issues in China, starting from the fact that the currency has weakened about 6% against the US dollar and obviously the Hong Kong market is affected by the fact that the currency in Hong Kong is pegged to the US dollar, and so as a trading destination Hong Kong has become less attractive than it used to be in the past, right.

So when you normalize for those things, and when you really take a longer-term view of the market and you think about the opportunities still for the middle class to rise in China, and we are very excited. We continue to make a lot of investments. We continue to open retail stores in China. We opened a lot of new points of sale. And as I said, we've -- we continue to expand our services business.

Q - Simona Jankowski {BIO 7131672 <GO>}

One thing I did want to clarify about China is Tim's comment on the last earnings call, that your decline in China, in the current March quarter would be comparable to what you saw in the December quarter, which was 12%. And I think he was suggesting that the comps don't get that much easier until the June quarter. But when I look back, last year in March I think China was down about 26%. So it would seem to me that comps are already quite easy in the current quarter.

A - Luca Maestri {BIO 15738533 <GO>}

I think Tim's point was around the fact that the declines a year ago in the third and the fourth quarters were larger than what we're seeing in the March quarter. There is a couple of things that make the compares a bit more difficult than they would look on the surface.

The first one is, as I said earlier, is the currency. So the currency on a year-over-year basis is 6% weaker. So that -- that has just an impact on the actual reported results, that the fact that the currency is weaker also means that the Hong Kong business continues to be at the depressed level, even more than a year ago. And then there is a technical issue around Chinese New Year. Chinese New Year this year was sooner than it was a year-ago, and typically what happens with sales trends, they tend to be up until Chinese New Year, and then they come down. And so we got a couple of weeks of very difficult compares in China this year.

Q - Simona Jankowski {BIO 7131672 <GO>}

That makes sense. Thank you. I want to shift gears now to your services business, which has been incredibly successful, it's been accelerating for two quarters in a row now. I think last quarter, on an organic basis it was something like 30% and you guys gave a new target for the first time of doubling that business, looking out four years. And I'll come back to that specific point.

But what I wanted to start on this topic is, we're also seeing some interesting shift in the market. We've seen a big move away from downloads, where you guys were innovative with iTunes, just streaming video and then we've seen incredible success for services like Netflix and Amazon Prime. So what do you say to investors who basically look at Apple and say yes, they're very successful with apps, but are they really as well positioned in video and music as they could be?

A - Luca Maestri {BIO 15738533 <GO>}

Well, obviously, I think overall the services business is doing very well, and we've been growing it for several quarters now at 20%. And the reason why we've given out this goal, it's our internal goal, and I think it's important for us to send the message to the investor community that this is a business that today on a standalone basis, this year is going to be the size of a Fortune 100 company.

Obviously, if we're able to double it in four years, it's going to be even bigger. And we don't know exactly how we're going to get there, although we see a lot of trends that are very positive for us. And so we will continue to push on all these -- on all

these fronts. And so, as you said, the App Store is doing incredibly well. The level of - the quality and the quantity of content continues to improve all the time.

You were asking about music and videos. Starting with music, I think it's important to keep in mind, we are by far the largest player in digital music, when you combine our download model with our streaming service, which comes from the Beats acquisition and is gaining a lot of traction, the combination of these two business, we're clearly the number one in music.

We've got a long association with music. It's one of the most important use cases for customers on our devices. And so we really want to provide the best possible offering on the music side. And we think we are actually doing that, because when we look at customer satisfaction surveys, we come up on top. And we continue to improve the service from a user interface standpoint and also in terms of content.

One thing that we've learned, having been associated with music for a long period of time, is that exclusives and exclusive content make a difference. They make a difference in terms of the number of transactions that happen on our stores, in terms of the conversion rate, in terms of the free trials that happen on the streaming service. So we do understand the value of exclusive content.

And therefore, when we think about video, which again, already today for us, is a large business because we are a very large distributor of video content already today. Obviously, it's something that we're looking into and we've made a couple of announcements recently about some of the shows that we are starting to experiment with, that initially are going to be available on Apple Music and we will see -- we will take it from there and we're going to learn a lot out of these initial examples.

Q - Simona Jankowski {BIO 7131672 <GO>}

I think, Tim said in one of the recent earnings calls that Apple has an interest in the creation and ownership of content. And I think we've seen, as you mentioned some of the shows that you guys have been working on like the trailer for The Planet of the Apes, out today looks really interesting.

But what would it take for Apple to move past kind of dipping your toe in the water with a couple of shows, and making a more significant commitment to content, especially given the obvious benefits to the ecosystem, the fact that that you've got significant cash, that hopefully you will get access to, if we have something like repatriation. So what would be evidence of success or benchmarks that you would be looking at?

A - Luca Maestri {BIO 15738533 <GO>}

Well, I mean, as I said, we know that original content is important. We've seen it on the music front. So I think for us it's a matter of experimenting a bit, see how we do with these initial shows and we'll take it from there. There's really -- I don't have anything to announce today but --

Q - Simona Jankowski {BIO 7131672 <GO>}

Sure.

A - Luca Maestri {BIO 15738533 <GO>}

Obviously it's something that we look at.

Q - Simona Jankowski {BIO 7131672 <GO>}

Okay. And just to turn that topic, for a second -- so there's been a lot of interest this year in the policy changes that are underway with the new administration. One of the big ones that looks reasonably likely to pass is repatriation, and Apple is certainly on the top of the list in terms of overseas cash, which is over 200 billion. Can you share with us anything that to the extent you can on the priorities for you, for that cash.

A - Luca Maestri {BIO 15738533 <GO>}

Yeah. We have been pretty vocal for years now that the US tax code needs to be reformed. The situation that we've got right now is not good, corporate tax of 35%, it's the highest tax in the world. It's punitive for US companies. It creates international tensions, across jurisdictions, because of this deferral system that is in place in the United States. And so we've been saying for a number of years that we really need reform, corporate tax reform and we think that there is broad agreement, not around the specifics, but around the concept that tax reform should happen. And hopefully there is a good chance that something is going to happen this year. And obviously one important element as you said is the repatriation of accumulated earnings, and of course we have a lot of that overseas, because now two-thirds of the company is -- the revenue is overseas.

We, obviously we would be looking to bring the cash back, and that would give us additional flexibility around our capital return activities. We got this, I would say unprecedented capital return program. We've already returned \$200 billion since we started it 4.5 years ago. And until reform happens, we will continue to do that, we will provide an update in the spring on the program. But if and when reform happens it gives us more flexibility, and we could do more, more quickly.

Q - Simona Jankowski {BIO 7131672 <GO>}

That makes a lot of sense on the capital return side. I wanted to touch on the optionality around M&A as well. One of Tim's comments recently was that Apple is open to acquisitions of any size, that are strategic value and I think a few of us interpreted that as being a little bit of a different nuance than kind of the historical focus Apple has had, which has been more on smaller technology buys or tuck-ins. So is that a fair interpretation?

A - Luca Maestri {BIO 15738533 <GO>}

Now I would say, Simona that our approach has not changed. We have, and what Tim said during the call, is something that has been true for us forever. We've always looked at any size of acquisitions, and to be honest, the size of the check is not what

matters to us. We are in a very fortunate position, we can -- we can afford them. The issue, as Tim said, is the strategic fit, and the issue is, do we believe that we can create value for our investors as we make acquisitions.

In the past, it's been the case that the vast majority of our acquisitions have been small companies. We buy between 15 and 20 companies every year. And we've done it pretty regularly, and typically it's around these great technologies, great intellectual property that we're very excited about, that either allow us to fill a gap in our product portfolio or allow us to accelerate our product roadmaps.

Siri was an acquisition, the Patch AD [ph] was an acquisition. It's beautiful to bring this great idea into Apple and then being able to scale it very quickly. But for example, Beats, which was a larger acquisition, certainly for us because we ended up paying \$3 billion fit this two criteria very well, a great strategic fit, because we know that we had a hole in our portfolio around streaming music, and Beats had a great service that really fit what we wanted to do.

And on the headphone side, we could see that we could generate a lot of value because the components they use for those products are very similar to the components that we purchase. And because Beats was very strong in the United States and we were able to take those products outside the United States because of our distribution capabilities.

If we are able to find companies that fit the strategic element and the value element, it's not the size that creates an issue for us.

Q - Simona Jankowski {BIO 7131672 <GO>}

That's clear. Thank you. One of the other policy changes under consideration is the move to destination-based tax regime, under which US revenues would be taxed. However the imported cost of goods would not be deductible. And given that most of your products are manufactured overseas, technically that would be counted as an import. So just curious to the extent you've looked into it so far how would this kind of a change affect your cash flow and P&L?

A - Luca Maestri {BIO 15738533 <GO>}

Well, we obviously are looking at anything that is happening in the tax arena, very closely because it's obviously a very important matter for the company. It's very difficult to speculate before any legislation is enacted. If we step back for a second, and we look at the proposals that are out there right now around tax reform I would maybe categorize them into three major buckets.

There's the issue around repatriation of the foreign cash. And I think in that respect there is a lot of consensus that, that cash should be brought back at a significantly lower rate than today. So I think there I think -- I don't think there's any disagreement.

And when we look prospectively into the future there's two elements, there's the foreign earnings and the domestic earnings. On the foreign earnings, also in that

respect when we look at the proposals that are out there, there is a general agreement that, that rate should come down versus the 35% that is the current rate. We think it's important that a rate be applied to foreign earnings because I think we believe that US companies will tend to rely on international markets more and more over time just because of the global nature of business.

And then, the third element where there is still not a very clear commonality of intent is how domestic earnings should be taxed and then this issue around border tax. Without getting into the specifics of it, because again we do not -- we haven't seen written legislation around it, it is very hard for us to imagine that a border tax would be good for the US economy, because it is a tax that would end up burdening the end consumer, and because it presupposes, as an idea, the fact that the dollar would have to appreciate very significantly versus where it is today, which is already too strong.

And so when you think about the competitiveness of the US economy, when you think of jobs creation in this country, when you think about investments in this country, it doesn't feel that there would be a positive outcome.

Q - Simona Jankowski {BIO 7131672 <GO>}

Yeah. And recognizing that it's not necessarily a positive, and it may not even be where we end up, I think the economy is just a sign [ph] about a 20% probability of the border tax adjustment system coming into play. But could you help us think about the feasibility of Apple's manufacturing and supply chain moving to the US, if such a change were to happen?

A - Luca Maestri {BIO 15738533 <GO>}

Well, I think again, it's very, very difficult to speculate at this point. One of the point that we are making in Washington is the fact that we have been a very large contributor to US economy during the last decade. We made billions of investments in the United States.

We've created -- in the last 10 years we created about 2 million jobs in this country, in the developer community, in our retail stores, in our call centers and through the supplier chain. And so I think it's important to keep that in mind. And those are investments that we will continue to make into the future. I think you know very well because of your job that essentially the supply chain for the tech industry is not in the US today, right.

Q - Simona Jankowski {BIO 7131672 <GO>}

Yeah. Maybe shifting gears to gross margins, which is another topic that is much discussed in the investor community. Commodity prices have been stubbornly high in the last year, whether you look at memory or LCD panels. And you guys, keep adding a lot of new features and innovations and we're looking forward to hopefully more with the next iPhone.

And as you mentioned earlier, FX is not cooperating. So when you consider all of these items, which seem to be adding pressure, how should we think about gross margins for you on a go-forward basis, and the different offsets that you have at your disposal?

A - Luca Maestri {BIO 15738533 <GO>}

Yes. Of course we fully understand that gross margin is a very important metric for investors, and I think if you look back at the last five years, our gross margins have been in this 38% to 40% range, in this range, in spite of the foreign exchange moving up and down.

We have a good track record at managing all the different levers in the business, recognizing the fact that because of what you said, because essentially the success of the company is around innovation. Every time we launch a new product, every single time we launch a new product, the cost structure of the new product is higher than the cost structure of the product that it replaces. It is because we are adding new technologies, new features and therefore we have that pressure.

We have been able to offset that pressure in a number of ways, starting with our ability to take those structures down, during the course of certain life cycle of the product, and we've done a very good job at that, with use [ph] pricing to try and offset some of the margin pressures, the cost pressures. And of course the fact that the services business is growing well, it helps us mitigate some of the pressures.

I said in the past that our services business, in its totality, has a margin profile that is accretive to company margins. So if we are able to continue to grow that business well, that will provide us with some offset. At the end of the day though as much as we understand the importance of gross margin percentages, the way we try to price our products, and to bring the products to market is to ensure that we maximize gross margin dollars, because I think it would be very easy to have very high gross margin percentages, but then we wouldn't be selling very much, right.

And so at the end of the day also I think for investors it is important to think that we really try to optimize gross margin dollars.

Q - Simona Jankowski {BIO 7131672 <GO>}

One of the levers that I think you guys have also had, maybe not at your disposal, because it's not necessarily in your control, but it has happened, I am delighted [ph] this mix shift, that we've observed with the iPhone 7 to the larger form factor, which I think has been helpful to gross margins.

Do you see that trend continuing on a go-forward basis in terms of the mix shift to the higher -- to the larger phone?

A - Luca Maestri {BIO 15738533 <GO>}

We were expecting that, that mix shift would happen. We've been surprised during the December quarter by the extent of it. Clearly demand for iPhone 7 Plus was stronger than we were anticipating and we attributed to a couple of factors. I think the main one is the fact that this was the first cycle when we introduced into 7 Plus version, a unique feature that is not available on the 7, which is the dual camera system.

And clearly even though we priced for it -- clearly there was a lot of customer interest and therefore the mix has moved more towards the 7 Plus. In general it is quite possible that customers are getting more and more used to larger screens and that is a trend that might continue in the future. It's very true certainly in certain geographic areas like Asia without a doubt.

Q - Simona Jankowski {BIO 7131672 <GO>}

Wanted to ask you also about R&D, and so we've seen our R&D intensity more than double in the last four years. But at the same time top line growth has actually slowed down in that period of time. So maybe just help us understand how you think about R&D and is the reason, it's expanding so much because you need that much more R&D, just to support what is now an ever-increasing base of devices and customers, or is it because you're working on some amazing new features that hopefully we'll see in the not too distant future.

A - Luca Maestri {BIO 15738533 <GO>}

So all of the above. And I think it's important to think about R&D spend, both in absolute terms and in relative terms, right. If you just talk about, first about the absolute level of R&D spend that we have, it's clearly higher than it was in the past. I would say there's four primary reasons for that. The first one is the fact that our product portfolio today is much larger than it used to be.

We now develop three iPhones. We used to develop one. We develop multiple iPads, we used to develop one. We now have the Watch, we have got AirPods, we have Beats. So the product portfolio is larger, and obviously we need more R&D to develop those programs.

The second element is that the services business has grown a lot, and to grow the business, we need to make engineering investments in services like iCloud, like Siri, like Maps. And so clearly the spend, R&D spend that we have on service is significantly higher than we used to have.

The third reason I think is a very strategic one and a very important one that allows us to keep our differentiation from the rest of the industry, and it's the fact that today we do much more in-house development of some fundamental technologies than we used to do a few years ago when we were leaving more of that to the supplier base. Think of the work that we do around processors or sensors, right, much more work that we're doing today in-house than we used to.

It's very important for us, because we can push the envelope on innovation, we have better control over timing, over cost, over quality, and so we look at that as a great strategic investment for us, right.

And then finally, the point that you were making, around the fact that, yes, we are also working on things that do not generate revenue today. And those expenses are meaningful. In the total scheme of things they're not very large, but obviously they add up over time and hopefully those are good bets that we're making for the future of the company. In relative terms, you can look at us compared to the rest of the tech industry, and I think it's almost difficult to compare, because our R&D efficiency is much better than the rest of the tech industry, that is [ph] difficult to compare with other tech companies.

When we look at Apple today versus the past, then you look at that percentage growing, I think that's where some of the concern -- of the investor concern comes from. But I would tell you that it's actually pretty intuitive that, that percentage goes up. If you take the extreme where we are only developing the iPhone, and I look at the engineering efficiency of our iPhone programs, right, that efficiency has not changed over the year. And it's obviously the percentage is very low because the smartphone market is so large.

We are now developing a lot of products that participating markets are much smaller than the smartphone market, and therefore it is pretty intuitive that when we develop the watch, for example, which is very successful in itself, but obviously because the wearer watch [ph] market and the -- the smart watch market is much smaller, it is obvious that on a percentage basis it's more expensive to develop the watch than to develop the iPhone and so on.

But the alternative is not a good one, right. We cannot just work on the iPhone right, and as we add other products it is normal and natural that, that engineering percentage of revenue goes up a bit.

Q - Simona Jankowski {BIO 7131672 <GO>}

Got it. So just as we think about modeling the business, OpEx as a percent of sales was about 11% or little over 11% last year. Historically it was closer to 10% but we shouldn't necessarily think of that 10% being an anchor or something that you're trying to get back to?

A - Luca Maestri {BIO 15738533 <GO>}

No. We set pretty clear targets around OpEx in absolute terms. So every line item of our OpEx is we have our own planning process, and we set targets for that. But in absolute terms, because then the relative success of our products in the marketplace will dictate if the percentage is 10%, 11%, 9%, 12% whatever -- whatever that is.

I think what you've seen during the last several quarters is that, clearly we try to put all the investments that we need to make into R&D, and the R&D number has been going up quite a bit. But on the SG&A side of the business we try to squeeze as

much efficiency as possible, because of our scale and actually you have seen in fiscal '16 our SG&A was essentially flat if not slightly down, right. So and I think you'll continue to see those dynamics -- investments for the reason that I talked about in R&D and try to manage SG&A pretty tightly.

Q - Simona Jankowski {BIO 7131672 <GO>}

You mentioned the Apple Watch and I did want to ask you a question on that. It had a great holiday season.

A - Luca Maestri {BIO 15738533 <GO>}

Yes.

Q - Simona Jankowski {BIO 7131672 <GO>}

Is that product now closer to fulfilling its potential or do you feel like you're still scratching the surface?

A - Luca Maestri {BIO 15738533 <GO>}

Yeah, we think it's still very early stages, right. I mean, we feel very good. It was the best quarter we've ever had. Units, revenue, across the board, was very interesting to see the mix. We could have sold more, to be honest, and we were supply constrained. We now, we have a Series 1 and a Series 2 in the marketplace, and customers seem to be very, very attracted by the Series 2 which has all the new features and technologies and so that's great to see. We continue to expand points of sale. But I think, we think it's a great platform to innovate on, for example in spaces like health and research and fitness. And so it's early stages, but we feel very, very good about the momentum. And in general when we look at Apple Watch, we look at the AirPods that we just launched recently, and we look at Beats and we put them all together as the wearables category of the products that we sell, we feel that in all cases, a lot of momentum and it's a business that on a standalone basis, is already becoming a very significant business.

Q - Simona Jankowski {BIO 7131672 <GO>}

And last question from me, you're moving to your new headquarters this year.

A - Luca Maestri {BIO 15738533 <GO>}

Yeah.

Q - Simona Jankowski {BIO 7131672 <GO>}

What are your hopes and expectations for that space?

A - Luca Maestri {BIO 15738533 <GO>}

Well I mean, the new campus, I really think is going to become like a national landmark. I think there's going to be a lot of -- a lot of interest from tourists to come and visit. We will need to figure out exactly how to manage that. But this is really

Steve's vision for our employees, particularly for the engineering and the creative teams. And his view was having an office space that really fostered collaboration and the way the work spaces are designed and the layout very much encourages the type of -- the type of collaboration and we think it's going to be a great place for our people to innovate for many, many years to come.

It's also very environmentally friendly, natural ventilation, all natural light, very smart building controls and very energy efficient, because it's going to be -- the electricity will be generated on site through solar and fuel cell. So I think it's going to be -- we would be very, very happy to host you.

Q - Simona Jankowski {BIO 7131672 <GO>}

Thank you.

A - Luca Maestri {BIO 15738533 <GO>}

Very soon, and unfortunately we are delayed a few weeks because of the rain here in California, just it's so unusual that -- now they will be doing the landscaping. So it's going to take a few more weeks, but we're almost there.

Q - Simona Jankowski {BIO 7131672 <GO>}

Well, good luck with the move and thank you so much for joining us today.

A - Luca Maestri {BIO 15738533 <GO>}

Thank you very much. Thank you. Thank you.

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