"Glenmark Life Sciences Limited Q2 FY24 Earnings Conference Call"

October 20, 2023

MANAGEMENT: **DR. YASIR RAWJEE – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**
MR. TUSHAR MISTRY – CHIEF FINANCIAL OFFICER
MS. SOUMI RAO – GENERAL MANAGER (CORPORATE COMMUNICATIONS)

Moderator: Ladies and gentlemen, good day and welcome to the Glenmark Life Sciences Q2 FY24 Earnings Conference Call.

As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "*" and then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Soumi Rao – General Manager (Corporate Communications). Over to you, ma'am.

Soumi Rao: Good evening everyone. I welcome you all to the Earnings Conference Call of Glenmark Life Sciences Limited for the quarter ended September 30, 2023. From Glenmark Life Sciences, we have with us Dr. Yasir Rawjee – our MD & CEO and Mr. Tushar Mistry – our CFO.

The Board has approved the results for the quarter ended September 30, 2023. We have released the same to the stock exchanges and updated it on our website. Please note that the recording of the transcript of this call will be available on the website of the company.

Now, I would like to draw your attention to the fact that some of the information shared as part of this call, especially information with respect to our plans and strategies, may contain certain forward-looking statements that involve risks and uncertainties. These statements are based on current expectations, forecasts, and assumptions that are subject to risks which could cause actual results to differ materially from these statements depending upon our economic conditions, government policies, and other incidental factors. Such statements should not be regarded by recipients as a substitute of their own judgment. The company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. Our actual results may differ materially from those expressed in or implied by these forward-looking statements.

With that, I invite Dr. Yasir Rawjee to say a few words. Over to you, doctor.

Dr. Yasir Rawjee: Good evening and welcome everyone to our Q2 Earnings Call.

Before I get into the discussion of GLS' performance, let's just take a couple of minutes to discuss the economy and industry trends that are likely to have a direct or indirect impact on the business:

The economic landscape remains a little uncertain, with the Chinese economy slowing down, which does have an impact on the chemicals industry, plus the inflation across the globe continues to challenge economic stability in various parts of the world. The geopolitical situation also could have some impact on oil prices, and so that could have some impact on our business. But we've seen the worst. Overall, if you look at the economic and geopolitical landscape, there are a few moving parts that can impact our business. But largely, things should be okay for our industry.

Coming to the industry itself:

The demand landscape is very promising at present. Demand has been strong for us across various regions, with the US experiencing a surge in demand on the back of a stabilized pricing environment. Europe and LATAM also continue to showcase a sustained momentum along with our India DMF business. The supply dynamics also show encouraging signs marked by enhanced stability in supply chain and oversupply from China on chemicals, resulting in better commodity and intermediate prices. It reflects a resilient and positive environment for our industry. That said, we need to stay vigilant and adaptable to potential ramifications of the ongoing geopolitical and economic turbulence in the coming quarters.

As far as GLS' performance goes, we are pleased to share that we achieved sales of Rs. 595 crores during the second quarter, continuing the growth trajectory with close to 17% growth. Growth has been driven by a 20% growth in our generic API business which to some extent was offset by a temporary dip in the CDMO revenue. The generic API business was driven by both the Glenmark Pharma business which grew close to 50% YoY as well as consistent upward momentum in the external business. It is crucial to highlight that the dip in the CDMO business in Q2 was temporary, and we expect demand to pick up in the second half of the current financial year. If you look at our regional distribution, except for slight de-growth in Japan and ROW, all markets have performed exceedingly well. On the product pipeline, we have added 3 new products to our pipeline, with one high-potent API and 2 complex APIs.

Coming to the high-potent API pipeline, we now have 12 products with a total addressable market of $21 billion at the front end, and 3 products have been validated so far.

Before I conclude, it is important to address the Glenmark Pharma's recent decision to divest its majority stake in Glenmark Life Sciences. Glenmark Pharma will be divesting 75% stake in Glenmark Life Sciences to Nirma Limited. This transaction, we believe, is the beginning of a new chapter for GLS, as Nirma Limited becomes the principal promoter of the company. We believe this strategic move is poised to accelerate growth and will help create more value for our stakeholders in the long term.

I would like to highlight that we will continue to operate as an independent API company, and our core mission remains even with the change in ownership. Strategy-wise, nothing changes on the business front for the short term, but I would surely like to mention that there will be focus on additional growth levers going forward. Therefore, I see this event as an opportunity to further strengthen our position in the API industry and continue the strong growth trajectory with healthy margins. The transaction, of course, is subject to necessary regulatory approvals. More insights will have to wait for strategic direction to be finalized with the new promoter once the transaction is completed. I urge for your patience till such time. However, I would like to highlight that it is vital to underscore that the core strategy of GLS will remain intact, with any new strategy developed being only incremental to our core approach. Looking ahead, we have good visibility for the second half on the generics API side as well as CDMO, which gives us the confidence of delivering strong growth in the latter half of the financial year as well. This will translate into a strong FY24 for us, provided the external environment remains conducive.

With that, I now invite our CFO – Tushar Mistry, to discuss the "Financial Performance" for the quarter.

Tushar Mistry: Hello and good evening everyone. Welcome to our Q2 FY24 Earnings Call.

I would like to briefly touch upon the key performance highlights for the quarter and half-year ended 30th September 2023, and then we will open the floor for questions and answers.

We had good growth this quarter with revenue from operations at Rs. 595 crores, a growth of 16.9% year on year and 2.9% on sequential basis. As Dr. Yasir mentioned, the growth was driven by strong uptick in the generic API business. The gross profit for the quarter was at Rs. 322 crores at 19.7% year-on-year growth. Gross margin for the quarter was at 54.1% which expanded 120 basis points year on year. Sequentially, gross margin looks low, but please understand, Q1 was a quarter where all guns fired well for us. EBITDA for the quarter was at Rs. 172 crores, up 12.3% year on year. EBITDA margin for the quarter was at 29%, driven by better gross margin and higher employee expenses.

Gross margin was driven by product mix whereas higher employee expenses was driven by regular increment cycles and certain talent management cost which is expected to continue at similar levels in the near term. However, it is important to note that we continue to have one of the lowest employee cost to revenue ratios in the industry. Depreciation & amortization is in line with CAPEX spends done last year. And the PAT for the quarter stood at Rs. 118 crores, a growth of 10.6% year on year, with PAT margins coming at 19.9%.

Let me quickly discuss half yearly numbers:

Revenue from operations for the first half was at Rs. 1,174 crores, a growth of 17.5% year on year. Gross profit for H1 FY24 was at Rs. 653 crores, up 23.1% year on year. Gross profit margin for H1 FY24 expanded by 250 basis points year on year to 55.6%. EBITDA was at Rs. 367 crores, up 18.6%, with EBITDA margins remaining steady at 31.3%. PAT for H1 was at Rs. 255 crores, up 17.7%.

Moving on to the segmental performance for Q2 FY24:

Generic API revenues grew by almost 20% to Rs. 543 crores driven by strong growth in GPL business, coupled with sustained growth in external business. CDMO business revenue was subdued at Rs. 25.3 crores driven by low demand for one of the products. However, as Dr. Yasir mentioned, this was temporary, and we have good demand visibility for the second half of FY24.

Looking at the therapeutic mix:

CVS and CNS continue to lead the growth during the quarter with both therapies contributing 60% to the top line. R&D expenditure for the quarter was at Rs. 37 crores which was 3.1% of our sales.

Touching upon the balance sheet and cash flow movement:

Starting with working capital:

Working capital remained stable during H1 FY24 at 170 days, and all the working capital components remained stable for the first half.

Coming to capital expenditure:

CAPEX for H1 was at Rs. 63 crores. I would also like to share an important update on Solapur CAPEX. The engineering work has started for construction of phase 1 of 200 KL in Solapur.

We continue to remain a net debt free company, and I am happy to inform you that we have generated strong cash flow from operations of Rs.216 crores in the first half, with cash & cash equivalents of Rs. 443 crores on the books as of 30th September 2023.

To conclude:

A strong demand scenario coupled with better visibility for H2 FY24 makes us confident of delivering strong growth in FY24. With that, let us open the floor for Q&A.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We have the first question from the line of Nitesh Dutt from Burman Capital. Please go ahead.

Nitesh Dutt: I have a question on our parent business. Can you give us some color on how that business will evolve? If there are any long-term contracts or whether the business will taper down in future; any perspective on that.

Dr. Yasir Rawjee: Parent business will continue. Of course, we have been operating at an arm's length. So, in that sense, nothing changes. But it's a significant business. There is an agreement that this business will continue for a period of 5 years. Just like Glenmark Pharma is an important customer for us, Glenmark Life Sciences is also an important supplier to Glenmark Pharma. We supply more than 65 APIs to Glenmark Pharma. So, we expect that this business will be robust and will continue. Of course, we had guided in the past that with the sort of divergent strategies of Glenmark Pharma and Glenmark Life Sciences, we expect the overall contribution to our business from Glenmark Pharma to come down over a period of time. But we will continue to be an important supplier to them.

Nitesh Dutt: Sir, can you share some details around this 5-year agreement? Is it sort of a guaranteed off-take kind of agreement or any kind of growth embedded in that?

Dr. Yasir Rawjee: Like I said, our business with Glenmark Pharma has been an arm's length business. We, of course, need to be competitive. And so far we have been competitive and have retained a significant business. Also, you need to realize that most of the business that we are doing with Glenmark Pharma, over 95% of the business is a regulated market business. With the number of approvals that we have over multiple markets, this is a fairly sticky business and would continue.

Moderator: The next question comes from the line of Charul Agrawal from Bank of America. Please go ahead.

Charul Agrawal: Could you help us understand how the CDMO business will move from here? You have mentioned that new projects have been picked up from 2H. Could you share updates on those?

Dr. Yasir Rawjee: CDMO has been a little bit lumpy. In the past, you have seen this as well. The good news for us on CDMO is that the current projects are on track. On account of slowed demand on one of the commercial projects, we saw a dip in this quarter. But overall, this business will continue. The other thing on the CDMO business is we have had a lot of traction from new customers on new projects where our API is being currently qualified. So, the outlook on the CDMO business for us is going to be pretty strong going forward. In about a year's time, we should see at least another 2 to 3 projects added to the basket.

Charul Agrawal: Sir, could you also help us understand if among the new capacity that is planned – the brownfield capacity – is there some capacity that will be devoted toward CDMO, and if so, how much would it be for CDMO?

Dr. Yasir Rawjee: As far as capacity goes, it's an overall capacity build. If you recall, in Ankleshwar, we had taken up this one large block of 400 KL of which 192 KL came online in Q4 of last year. And by this Q4, we will have another 208 KL built out. That's going to be significant. This will be both for the generic as well as the CDMO business. So, we don't have dedicated capacities for CDMO. So far, none of our CDMO customers have asked for dedicated capacity. It's only one current commercial project that has a dedicated capacity. And that is by virtue of the technology that is in use for that project. So, overall, for our CDMO projects, we don't have dedicated capacity.

Charul Agrawal: A last question from me. Tushar, if you could help us understand what would be the CAPEX guidance and when would the OpEx come for the Ankleshwar plant? Has it already come in or it is supposed to come from next quarter?

Tushar Mistry: Charul, we have been guiding to Rs. 150 to Rs. 200 crores of CAPEX in the current year. It will be more towards the Rs. 200 crores of CAPEX in the current year is how we are looking at CAPEX for the current year.

Charul Agrawal: And regarding the CAPEX, is it already there for the Ankleshwar plant or will it come over from the next quarter?

Tushar Mistry: We have expansions happening in Ankleshwar, also in Dahej and also a bit of Solapur that I explained in my opening remarks. So, we are starting on Solapur as well now. Some part of that is dedicated towards that as well.

Moderator: The next question is from the line of Sumit Gupta from Motilal Oswal. Please go ahead.

Sumit Gupta: I have 2 questions. First is regarding the employee expenses. There has been a nearly 300 bps jump in the employee expenses as a percentage of sales. Why is this so and what is the trend do you see going forward? And the second question is on the line of the EBITDA margin. In Q2, there has been a trend that Q2 in general is moderate with respect to other quarters. Why is that so?

Tushar Mistry: Actually, the answer for both is the employee cost itself. Your question on employee cost, as I again mentioned in my opening remarks, there are certain talent management costs. There are certain expenses that we have incurred on bonuses to some employees, which has an impact in the current quarter as well as will continue to have some impact in the near term, and that's what we are seeing for the current year; the impact will remain. And that also answers your EBITDA margin question where the margin has come to 29% compared to around 31% in the past.

Sumit Gupta: This trend would continue in FY24 and FY25 – this 28% to 29% EBITDA margin?

Tushar Mistry: This is for the current year that I am saying. We will see for the next year; we will guide as we come closer to that time.

Moderator: The next question is from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.

Bala Murali Krishna: Regarding CDMO business, one project is getting delayed because of some regulatory approvals since the last few quarters. Could you please update on what is the status of that project?

Dr. Yasir Rawjee: From GLS' perspective, API has been supplied. And the customer has taken validation batches already at their end. But they are looking to enter 50+ markets here. So, from a regulatory perspective, they are aligning all their regulatory filings and as a result of which there have been delays. But it is on track. It is going well. We do expect it to come hopefully by the end of this year. But like I said earlier to Charul's question is that we are actively pursuing other CDMO projects which are moving much faster and in about a year's time, we should see another 2 to 3 projects added to our pipeline. Currently, our entire CDMO business is driven by 3 commercial projects. Another two or three will make a significant impact on our CDMO revenue.

Bala Murali Krishna: Regarding the margins in the upcoming 4-5 years when we are supposed to supply to GPL, is there any possibility to get some impact on the margins or we can maintain that same 30% kind of margins for, maybe about 2-3-4 years down the line?

Dr. Yasir Rawjee: The GPL business is an arm's length business. We continue to remain competitive in that business. And the margin profile overall is a function of our mix. And considering that we have got a fairly large number of launch molecules coming up plus CDMO business growing relatively, we expect that the margin profile will at least stay in the same region.

Bala Murali Krishna: Regarding the upcoming 200 KL build capacity addition in H2, can we see some incremental revenues from this or it's like in-house commercials that will be catered to in-house only?

Dr. Yasir Rawjee: No, we have planned part of it for backward integration and part of it for intermediates. The demand is high for both segments – the BI as well as the intermediates. So, we expect that it will have a fairly quick uptake on utilization, the new capacity that will come online by Q4.

Moderator: The next question is from the line of S. Mukherji from Nomura. Please go ahead.

S. Mukherji: Sir, I wanted to understand the agreement to get the Glenmark. Do you have an agreement for 5 years for off-take? Are there any other clauses like non-compete clause that Glenmark produced some of APIs for its in-house consumption and also on pricing? What kind of protection do we have?

Tushar Mistry: The non-compete is there for both Glenmark Pharma as well as for Nirma as well. Glenmark Pharma will have to restrict from doing the APIs that Glenmark Life Sciences is doing. And so will Nirma have to avoid doing any formulations that Glenmark Pharma is doing using Glenmark Life Sciences APIs.

S. Mukherji: For, let's say, future pipeline projects of Glenmark, Glenmark can develop its own APIs for its internal use. Is it restricted to the basket that Glenmark Life Sciences is currently catering to or even for, let's say, future products over the next 5 years? Is there a restriction there as well?

Tushar Mistry: The pipeline products can be done by Glenmark Life Sciences or by Glenmark Pharma depending upon how the arrangement goes but there is no restriction there.

Dr. Yasir Rawjee: I'd just like to clarify, on the pipeline, Glenmark Pharma has already qualified quite a few GLS APIs. That will come under the agreement, but anything new that they want to develop, that they can go ahead and develop. I had explained in one of my earlier calls that there is a divergence in the portfolio approach of GLS and GPL. If we are not going to develop certain APIs for our own reasons driven by our business, they are free to go ahead and develop those APIs because it doesn't anyway fit in our bucket.

S. Mukherji: Sir, secondly, have you shared any EBITDA margin guidance for this year and for FY25?

Tushar Mistry: We stick to our guidance that we have been giving in the past from a long-term perspective that both on the revenue as well as on EBITDA. Revenues will be within the mid-teens range and the EBITDA margins will be around 30% kind of range over a long term period.

S. Mukherji: And this you think you will have 30% even this year FY24?

Tushar Mistry: This year, as I mentioned, there are certain employee-related expenses also coming in which will have some temporary impact, but other than that, we will remain within that range.

S. Mukherji: So, this quarter's EBITDA margin is representative of what we should expect for the full FY24. Will that be the right assumption?

Tushar Mistry: You can assume that, I would say.

S. Mukherji: Sir, finally, a more strategic question. From a strategic perspective, under the Nirma group, what all you think you can do which possibly you couldn't have pursued within the Glenmark framework? If you can elaborate that. Is it that the CDMO piece coming out of a generic company or anything like that if you can elaborate? Strategically how things change for Life Sciences now?

Dr. Yasir Rawjee: From a strategic perspective, we will stay on track with respect to the strategy. However, once the regulatory approvals come through and the transaction is closed, then we would explore various options because you realize that the API space is extremely wide and there are a large number of opportunities that, for historical reasons, we have not pursued. So, very likely that once the regulatory approvals come through and the transaction is concluded, we would be sitting and working out the strategy with the new promoters. And things will become better clarified once that happens. I would request that you give us some time before we come through on that. It's very difficult to speculate at this point in terms of what we will be doing. But I can say that we expect to do more for sure.

S. Mukherji: Sir, when you say more, is it more on the CDMO side – developing a relationship with innovators? Anything on that color you can give or at this point, is anything that Nirma brings to the table which can help?

Dr. Yasir Rawjee: That's what. CDMO and API are parts of our current strategy anyway. Like I explained earlier, we have been getting significant traction on CDMO even now. And given the fact that it's a more sticky business, that's something you would definitely continue. What I am referring to is things that in the past that we did not do. These are the things that we would explore with the new promoters to see if we can expand in different directions. Like I said, too early to sort of put something on the table because we'd really like this to be a joint kind of have a clear understanding between us and the new promoter. Give us some time and we will certainly come back. The key thing is that we first need to go through the regulatory approvals.

Moderator: The next question is from the line of Saad Shaikh from BOB Capital Markets. Please go ahead.

Saad Shaikh: My question was with regards to the PLI benefit we have recorded in the past for a few quarters. Since we are being disassociated with the parent and they have the PLI mandate, how this benefit will be going forward? Could you comment on that?

Tushar Mistry: You are saying the PLI benefit going forward?

Saad Shaikh: Yes, after Nirma takeover.

Tushar Mistry: The current understanding is that the PLI benefit will continue till the time we are a part of the GPL group. Beyond that timeline, we are still exploring what possibilities will be there and how it will pan out. We don't have the clarity yet on that, but nevertheless, even if it had to be there, it's a 100 to 150 basis points of impact which we are sure we would be able to cover otherwise.

Saad Shaikh: On working capital, are there any plans to improve from there onwards?

Tushar Mistry: I think the effort to keep on improving on that continues. But as doctor explained, the geopolitical scenario currently is so volatile that we don't want to be very thin on the working capital. We rather would invest some part in it and sit on some of the inventories rather than do too much of correction there and we are being cautious there. We have not increased the working capital from the levels that we saw in March. We have remained at that level. But we don't expect it to go significantly high from here or anything that can significantly change from here.

Moderator: The next question is from the line of Charul Agrawal from Bank of America. Please go ahead.

Charul Agrawal: I wanted to clarify regarding the EBITDA margin guidance for FY24.

Tushar Mistry: I just gave that to Saion that the long-term margin remains at what we have been guiding in the past of EBITDA margin in the range of around 30%, and that will remain. In the near term, you will see some dip happening in the current year because of the employee expenses that we saw, but otherwise, from an overall long-term perspective, it should remain in the range that we have been guiding.

Charul Agrawal: Sir, but even for the current year, given that we are expecting CDMO to pick up over the next quarter and employee costs were already elevated this quarter, do we not expect margins to recover from this level?

Tushar Mistry: Again, it's a matter of product mix and CDMO playing out. CDMO is something that we are expecting. We'll see how that plays out. We are not saying that it may or may not have an impact on the margin, but it is all a matter of timing and CDMO is not something that we are absolutely certain that this will happen at this point of time. There's a lot of regulatory involvement there. So, it has to play out as per the timelines.

Charul Agrawal: You had called out that you were in advanced discussions with two other customers and for those you had supplied validation batches and expected it to commercialize in 2H. Is it still very uncertain or what is the outlook on those?

Dr. Yasir Rawjee: No, Charul, it's not uncertain. The reason we were able to so categorically put it on the table now is because we have already supplied validation quantities. That's why I said in a year from now, we would expect another 2 to 3 projects to come in. Let's realize that once we supply validation quantities, there's an approval cycle like Tushar was explaining. And so when it impacts our numbers is something we would not be able to say for certain. Whether it hits us or whether it benefits us in Q4 or whether it goes to Q2 of next year is something that needs to be seen. That's where we can't be absolutely certain that these two new projects that are likely to happen soon will kick in this year or by the next year. That's the point.

Moderator: The next question is from the line of Naman Bhansali from Perpetuity Ventures LLP. Please go ahead.

Naman Bhansali: I just have one question with Glenmark coming on the board, how do you see the management board change or it would be the total same board or how would the roles change if any?

Tushar Mistry: The management will continue, Naman. There is no change in the management that we see. Obviously, the representation of Glenmark Pharma on the board of Glenmark Life Sciences will go down and there will be representations from Nirma coming on board of Glenmark Life Sciences. That is what we see as a change that is happening. As far as the senior leadership team and the other members of the Glenmark Life Sciences will continue as they are operating today. There is no change in that.

Naman Bhansali: And second question would be on the synergies. As we know, Nirma is the best in their business going on. Do you see any other further synergies into our business? And secondly, at one point, you mentioned that you would be open to exploring other CDMO opportunities which you haven't done previously. Are there any such opportunities which could be opening up with the promoter change?

Tushar Mistry: Naman, from a long-term growth strategy perspective, you will have to really wait for us to, in fact, with the new promoters and get the strategies in line with them. As of now, our strategy that we have been talking about in the past remains. Whatever will come will come on top of that. It will only be accretive to our current strategy, but we would really urge that we'll have to wait till the time all the regulatory approvals and all are done and we are able to then interact with the new promoters to give some strategic way forward on this.

Naman Bhansali: Lastly, just to point out the oncology and iron complex business which we are getting into, when do you see the major pickup coming in in this particular segment of our business?

Dr. Yasir Rawjee: Onco has picked up really well. Like we explained last time, we have 9 molecules already in Onco in the pipeline. Three have been validated already. And we continue to see a good amount of traction in all of them. Of course, they are at various stages in development. Some have sort of immediate off-take in terms of validation. Others, because they are newer APIs, are currently being seeded with customers. So, they are in various stages of the development lifecycle. But the good thing is that I think we made the right play at the right time with Onco, and with our Onco facility also coming up in time, we are able to validate the new APIs in time to be able to supply to customers. Commercial will take its time, but some of them will happen pretty soon.

Naman Bhansali: One last if I can squeeze in related to employee benefit expenses. We are seeing Rs. 67 crores number this quarter. Historically, in Q2, generally we have seen it is a higher number, but over the next second half of the year, it generally tapers down a little bit from that base.

Tushar Mistry: You will see a bit higher than what it has been in the normal times in the past. So, you should expect some higher costs for the current year.

Naman Bhansali: And you mentioned in your opening comments that there are some talent acquisitions going on due to which employee benefits have….

Tushar Mistry: No, I mentioned not talent acquisition, talent management I mentioned. It is more to do with from a management perspective, not from an acquisition. No further acquisitions that we are looking at from a talent perspective.

Moderator: The next question is from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.

Bala Murali Krishna: In the CDMO segment, if we can commercialize the upcoming 2-3 projects which you are talking about in the upcoming year, what could be the peak revenue potential we can expect in the FY25 from the CDMO sector?

Dr. Yasir Rawjee: Currently, we do about Rs. 150 crores with 3 projects – the 2 projects that I mentioned plus the one that has been taking some time. If we add another 3 projects, we would expect revenues of a similar nature.

Moderator: Ladies and gentlemen, we will take that as our last question for today. On behalf of Glenmark Life Sciences, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.