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Q1 2019 Sage Group PLC Trading Statement Call

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## PRESENTATION

**Operator**

Good morning, ladies and gentlemen, and thank you for standing by. Welcome to today's Sage Q1 trading update.

(Operator Instructions) I must advise you that this conference is being recorded today, Thursday, 17th of January, 2019.

I would now like to hand the conference over to your speakers today, Mr. Steve Hare, Chief Financial Officer (sic) [Chief Executive Officer]; and Jonathan Howell, CEO (sic) [CFO]. Please go ahead.

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**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

Thanks very much. This is Steve.

So welcome, everyone, to the Q1 trading update. I'm really pleased to be here with Jonathan, who's already been promoted to CEO.

So yes, we're just going to make a few introductory comments, and then we'll go straight into Q&A. So I'm going to hand over to Jonathan, who is going to run through the headline numbers.

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**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

Thanks, Stephen. And good morning, everyone.

And to begin with, I'd just like to say how pleased I am to be appointed as CFO of The Sage Group. As you will be aware, I've been with Sage since 2013 as an NED and Chairman of the Audit and Risk Committee, both of which have given me a good understanding of the business and allowed me to hit the ground running in my new role as CFO. I'm completely aligned with Steve and the wider team on the updated strategy that was disclosed at the FY '18 results, obviously having discussed it previously at length as a board member.

So briefly on some of the headline numbers. As disclosed in the Q1 trading statement, overall organic revenue growth was 7.6% for Q1. Recurring revenue increased by 10.5%, underpinned by software subscription growth of over 27%. And this growth carries the momentum generated as we exited FY '18 and reflects the business's continued focus on driving high-quality subscription revenue. SSRS revenue declined by 5.8%, reflecting the managed decline in licenses offset by a slight increase in services.

And now looking regionally. First of all, North America has continued to perform strongly, delivering growth of 10.4%, with double-digit recurring revenue growth due to continuing success in driving growth through cloud connected solutions in both the U.S. and Canada and importantly through Sage Intacct. It's encouraging to see recovery in UKI, with revenue growth of 5.9%. And again in this region, recurring revenue was well over 10%, with strong performance in Sage 50cloud connected migrations. France revenue growth of 5.8% reflects continuing recovery in recurring revenue, which was largely driven by Sage 200cloud connected.

So those are the headline numbers, and I'll let Steve now pick up on some of the more strategic points on the numbers and guidance.

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

Thanks a lot, Jonathan.

And so as we said at the FY '18 results announcement, the vision for Sage is to become a great SaaS business for customers and colleagues alike and therefore, accelerating our transition to both subscription and to the cloud.

So we are pleased with the progress that we've made in this quarter, and this is reflected in the numbers, particularly the recurring revenue growth. As we continue to focus on moving both our existing customers but also attracting new customers to the cloud and subscription, products within or to be migrated to Sage Business Cloud delivered growth of over 9%, with a slight increase in the products with no path to Sage Business Cloud.

Now I have to temper this slightly by saying that although we are pleased to have got off to a good start and had a good first quarter FY '19 performance, it is important to remember that the first quarter of FY '18, particularly on recurring revenue, was weak. And therefore, it does provide a relatively easy comparator for the first quarter of FY '19.

So as we said at the time of the FY '18 results, due to that phasing last year, we do expect the first half of FY '19 on recurring revenue growth to be stronger than the second half, and I want to be clear that we still see this to be the case. And that is why we are reiterating our full year guidance for FY '19, which we had outlined in full at the time of the FY '18 results announcement.

So on that, I'd like to open up for questions.

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) And your first question is coming from the line of John King, Merrill Lynch.

**John Peter King** ***BofA Merrill Lynch, Research Division - Research Analyst***

I wanted to dig into the plan for the 20% or so of the business that's not going to pass to the cloud. So first of all, just a point of clarity around the guidance: so as and when you divest those businesses, obviously, you trend more towards the business that's growing 9%. Can we just confirm that obviously, the guidance -- does the guidance require you to divest those businesses to hit the numbers you have out there? Or would the guidance move up if and when you were to dispose of some of those businesses?

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

Yes -- I'm sorry.

**John Peter King** ***BofA Merrill Lynch, Research Division - Research Analyst***

Yes, go ahead. Go ahead.

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

No, I mean, in terms of guidance, that guidance encompasses the whole group. And that is very much as it was at FY '18 results which Steve did with you. And in terms of the progression on that part of the business, where there's no sort of pathway to the cloud, we're not going to give up -- we're not going to give details until as and when decisions have been made and there are things to announce. So we won't be doing a running commentary on our examination of that part of the business.

**John Peter King** ***BofA Merrill Lynch, Research Division - Research Analyst***

Okay. Will you say -- is -- will there be any other assets held for sale do you expect by the end of Q2?

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

I think we are looking at that proportion of the business. As I said at the year-end results, it's perfectly feasible that there will be things within there that we will choose to sell. So I'm not going to give any predictions because it depends on what we do, but it's obviously possible because we might decide to sell something. But I'm not going to give any indication at this time.

**Operator**

Your next question is coming from James Goodman, Barclays.

**James Arthur Goodman** ***Barclays Bank PLC, Research Division - Research Analyst***

Two, please. First, thanks for the detail on the comparatives and phasing, but simply, I suppose my question is even accounting for those factors, was Q1 ahead of where you anticipated it to be back in November? And if so, was that the U.K. business primarily that was driving the delta there? Just a little bit of a simple comparison would be helpful. And then the second question is on the investments and primarily the phasing of those investments. Are you able -- are you finding yourselves able to rescale that investment as you'd hoped to do so far? I mean any commentary around some of the initiatives that you've started with the additional investments would be appreciated.

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

To answer the first question -- sorry, this is Jonathan here. The performance that we've seen in Q1 is very much according to how we had planned and expected it at the beginning of the financial year, but I think, as Steve said in the opening remarks, Q1 in particular and Q2 were softer comparators. And that is what you're seeing coming through in the quarter-on-quarter sort of growth rate that we've reported. The -- I think the important thing to sort of emphasize, as I'm sure you know, is that this is just Q1. It's beginning of the year. It's also a multiyear process to turn this business into a great SaaS company, and nothing will be linear. We will have quarters that are slightly better and quarters that are slightly not quite as good. And so I'd sort of -- given the encouraging performance we've had in Q1, I really would urge you not to get too carried away.

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

And on the investments, yes, we're making good progress. And we're deploying the investment in line with exactly what I expected when we spoke at the time of the year-end results.

**Operator**

Your next question is coming from Mohammed Moawalla from Goldman Sachs.

**Mohammed Essaji Moawalla** ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

I had a question, Steve and Jonathan, around the U.K. Maybe you can sort of update us on sort of the actions you have taken. And to the extent with which you can comment, I know you mentioned double-digit recurring, but what was subscription growth? And in terms of the whole changes you've been making to the sales organization of shifting to more subscription selling versus license selling. And how do we sort of expect, do you think, the U.K. growth can be sustained at these rates, especially going into kind of Q2 and the back half of the year?

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

Yes, thanks very much indeed for the question. I mean I think if you look at UKI, North America and France, all of them, what you're seeing in this Q1 is the focus that's being applied to migrating our existing customers to cloud connected and also new NCA in the sort of native cloud products. And you're seeing that across all 3 of those territories or regions. And in the U.K., to answer your question specifically, that was very much driven by migration of Sage 50 to cloud connected. And that is part of something that the business is focusing on. It's an important priority to get business moving in that direction and then ultimately, to native cloud. In terms of any other details or color, we don't provide that at this stage in the Q1. And we will be -- have an updating at H1.

**Operator**

Your next question is coming from Charlie Brennan, Crédit Suisse.

**Charles Brennan** ***Crédit Suisse AG, Research Division - Research Analyst***

Great. Two, if I can, but firstly, just on the phasing of comps through this year. When I look at last year, I think I've got the first quarter of last year being 7% recurring growth, broadly consistent with what you did in the full year. That doesn't strike me as being a particularly easy comp. Can you just explain to us why you feel that, that is an easier comp and why it's realistic for the growth to decelerate through the year? And then the second one is just a point of clarity on this noncore aspect of the business. The payroll business that you sold, did I see it was marginally lossmaking? Can you just remind us of the profitability of the remaining part of that noncore business?

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

Thanks, Charlie. So on the first question, on the phasing. I mean, I think the kind of simplest way to answer this is that historically, even on recurring revenue, we've always had a slow Q1. So the last 2 years, and indeed, it probably goes back even further than that, but Q1 is always slow. We always get off to a slow start. And actually, if you look sequentially, we're either sort of -- we typically are either sort of flat or even slightly down Q4 to Q1. This time, because we're very focused on recurring revenue, as I said at the year-end, we've had a good start and it's the first time in 2, 3 years that we've had a good start in Q1. And so even sequentially, we're showing good progression. So -- but obviously, as we go through the year, so we would expect each quarter, we will see sequential growth in recurring revenue, but we get harder comparators because obviously, as the year goes on, we have, in the past, picked up pace. But the most important message that I can give is that I'm less concerned now about exactly what the year-on-year growth rate is each quarter. What I'm really focused on is getting the whole company behind driving recurring revenue and driving it consistently week by week, month by month. And then we'll start to get a business which produces a better linearity and predictability in terms of its revenue. But as we compare it to previous years, you're going to get a few ups and downs because that's not how the year progressed last year. And in terms of...

**Charles Brennan** ***Crédit Suisse AG, Research Division - Research Analyst***

When you say good -- I was going to say can I just stop you there? Just this is quite a significant sequential doubter in growth rates. Can you just remind us whether there's any transactional elements in that recurring revenue line that give rise to some lumpiness? Or is it all genuinely monthly payments?

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

It's -- well, I don't -- I'm not sure what the question is, Charlie. It's obviously genuinely recurring revenue, otherwise, we wouldn't classify it as such.

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

I think I'll just go back to what Steve said earlier. This -- we are looking at weaker comparators for the prior year, and this is recurring revenue that we've achieved in this first quarter. And as the business -- exactly as Steve says, as the business gets more and more focused on these few priorities with regards to migration to cloud connected and NCA in native cloud, then, over time, you will begin to see a smoother progression in the sort of the quarterly and half year results, but until then, there are going to be, as I said earlier, some slightly better months and some slightly not-so-good months.

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

The other thing to remember, Charlie, is last year, we were very open about the fact that in the early part of the year, we had -- we were effectively switching some of the

(technical difficulty)

that also contributed to less recurring revenue being recorded in the first quarter of last year, but obviously, as we renew those customers, that goes away.

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

And on the second question, good question actually, the -- and I think it was -- commentary was provided at the time of the full year results is that, that portfolio of businesses, the GBP 350 million of revenue, that is, in very broad terms across the piece, at the same margin as the wider group has reported. And as you sort of quite correctly identified, that first disposal was at a near-to-0 margin and we'll have others that are at a much higher margin. But across the piece, in broad terms, it's in line with the rest of the group. And that disposal that we just announced, that had already been excluded at the year-end from that GBP 350 million revenue because it was treated as held for sale. And by definition, held for sale in our organic revenue definition is not included.

**Charles Brennan** ***Crédit Suisse AG, Research Division - Research Analyst***

And we've all got to try and put a value on that GBP 350 million of revenue. Is it fair to conclude that the 2x revenue multiple that you got for the payroll business as a broadly break-even business is going to be the lowest valuation that we can expect to see?

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

It depends on market conditions, Charlie.

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

And look, really importantly, some of those businesses, we will want to run for value and will be useful contributors to the organization in terms of cash. And some of those, we may, over time, choose that we wish to sell. And some of those will be businesses that are of very significant value to potential buyers because of their business model or synergies or their strategy. And some of them, by definition, may not be so attractive to buyers. So I think it's very, very hard to extrapolate, just from the initial sale of one business, of how much of that portfolio we're going to sell and how much of that portfolio we're going to run probably for an extended period of time for value.

**Operator**

Your next question is coming from Amit Harchandani, Citigroup.

**Amit B. Harchandani** ***Citigroup Inc, Research Division - VP and Analyst***

Amit Harchandani from Citi. I just wanted to go back into the press release and briefly have a look at the SSRS line item. Admittedly, the focus in 2019 is on recurring revenue, and so have you guided as well, but we still have the Enterprise Management business, particularly the old ERP X3. I was just wondering if you'd talk about the performance of that particular segment in the quarter. And how do you see that phasing over the course of this year? And any comments on large deals as well, where I know there have been some execution challenges in the past?

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

I think -- I mean, just initially, in your question, you really -- you provided half the answer, which was that the priority in the organization is to move to recurring revenue, cloud connected and native cloud. And that is absolutely the priority, and that is what we want the focus of the organization to be on and also the focus of yourselves as analysts and investors. In terms of SSRS, there, in parts of that business for Enterprise, we made some good progress. In other parts of the business, pipelines weren't quite as strong as we'd anticipated. Overall in Enterprise, there was some slight growth across the group, but again, I don't think that's sort of material in terms of fundamentally trying to understand this business going forward.

**Amit B. Harchandani** ***Citigroup Inc, Research Division - VP and Analyst***

Okay. And is it fair for us to assume that even on the Enterprise side, you are increasingly pushing for a subscription delivery model to the customers?

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

Yes. That is the aim. So all of the managing directors are incentivized to move as much business as they can to subscription and to cloud, and that includes Enterprise Management. Now, it's a slower move, but yes, the answer is they are being incentivized to do that. And so as we've said in the past, this kind of level of SSRS decline, I see as a good thing. I mean, last year, I was clear that we grew SSRS last year at something around 7%. And whilst that obviously helped growth, that is not the source of growth that I want. So as we push more to accelerate the recurring revenue growth, you should expect that this is a sort of pretty typical level of SSRS decline that I would expect.

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

And I'd also add to what Steve said, is the SSRS growth or decline is very much an output from running the rest of the business the way that we want to run the business. That's not what is being targeted by the organization.

**Operator**

Your next question is coming from Stacy Pollard, JP Morgan.

**Stacy Elizabeth Pollard** ***JP Morgan Chase & Co, Research Division - Head of Software and IT Equity Research***

Two questions from me, please. I know that it's not reported in Q1, but can you comment on margin trends, perhaps the H1-to-H2 phasing, especially given that your expectations for H1 are now to grow stronger than H2? Does that also reset the usual kind of H1-to-H2 phasing on margins as well? So that was question one. And the second one, just looking at the opportunity with Sage Intacct in Australia and the U.K., can you maybe talk about timing? And does your current guidance already include that coming through?

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

I mean, in terms of margin, obviously, after the GBP 60 million additional in P&L investment that was announced, once that's taken into account, the broad guidance was 23% to 25%. What we've seen in the first quarter is in line with that. And in terms of the phasing H1 to H2, we'll update you on that at the H1 results announcement.

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

And on Intacct, we're pleased with the progress that we're making. And we're on course to introduce the Sage Intacct product into Australia probably towards the end of the financial year, so sort of late summer, kind of August-September time. And that will be followed shortly thereafter by introducing the product into the U.K., certainly before the end of the calendar year. And we're on track to achieve that. Okay? Thanks, Stacy.

**Operator**

Your next question is coming from Alex Tout, Deutsche Bank.

**Alexander William Tout** ***Deutsche Bank AG, Research Division - Research Analyst***

Two quick ones and then just a bigger picture one. So firstly, I don't know if you can give us any idea on how ARR or bookings within subscription performed in the quarter. Obviously, we get revenues, but that's kind of backwards-looking. Just any commentary on bookings or ARR that you might be able to give us would be helpful. Secondly, are maintenance churn rates on traditional -- on the traditional maintenance still in line with what you've been seeing historically? Any change there? And finally, just Brexit, have you seen any slowdown related to that in the U.K. or elsewhere in Europe? Have you noticed any change this quarter relative to last quarter, for example?

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

Thanks very much indeed. I'll take the first question. In terms of ARR, we -- as you know, we don't disclose that on a quarterly basis, but what I can confirm is that the trend is fine and as you would expect. And there's no anomaly between ARR trend and what you've seen in recurring revenue.

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

And then I think more widely on the churn, I think the trend is very much as we talked about at the year-end. So on our core sort of products, sort of the Sage 50 family, Sage 300 family, et cetera, there's no change. As we migrate customers to subscription, churn is reducing or retention is increasing. As I said at the year-end, the only place where we have higher churn is at the sort of lower end or the smaller end of the market. So for example, on the Sage Accounting product, the churn is higher on average, but as I've said repeatedly, that's a very small part of the business. Brexit has had -- we're not seeing any impacts on the business with respect to Brexit. The only thing -- I think, as I think all businesses would say, when we talk to our customers, what they'd just like to understand is what's going to happen because it's difficult to plan for something that you have no idea what's going to happen. But we're not seeing any impact in terms of our business performance in any of the geographies in which we operate. And I suppose we have a slight advantage in that most of our customers, being small-, medium-size businesses, tend to operate within their economies rather than cross-border, although we obviously do have a number of larger customers who operate cross-border. But for a lot of customers, it's just kind of heads down, continuing to look after their businesses within the communities and economies which they operate.

**Operator**

Your next question is coming from Adam Wood, Morgan Stanley.

**Adam Dennis Wood** ***Morgan Stanley, Research Division - European Technology Equity Analyst***

I've got two, please. Just first of all, there's obviously a big initiative in the U.K. around Making Tax Digital. Could you maybe talk about whether you've seen any impacts on that already in the U.K. or whether that's something still to come and any idea of scale? And also, I think there's something happening similar in France, whether that could be a potential benefit to come? And then secondly, just on the move of Sage 50 to Sage 50 connected, do you have any feel in terms of the install base there, how far along you are migrating that base? Is there a lot still to do? Or are you pretty well advanced in terms of penetrating that core 50 base and getting it on to connected product?

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

So in terms of the sort of taking tax digital, that has been of assistance to us in the Sage 50 connected migration program. So that has been of some assistance to us. There's no doubt about that. And then in terms of how far in the U.K. are we through, we're through during -- we're sort of getting towards halfway through that Sage 50 migration in the U.K. And that will continue for another 12 months or so.

**Adam Dennis Wood** ***Morgan Stanley, Research Division - European Technology Equity Analyst***

Could you give us a little feel for what the uplift is in terms of how much more revenue you can get from those customers as you move them, please?

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

Yes. It varies quite considerably in that we have a wide range of customers in terms of which edition they're on. And so kind of depending on how much they're already paying, there is a difference. But I've said in the past that broadly, if we're taking a customer to subscription on cloud connected, we look to get something like a 15% to 20% uplift, but it does vary quite a bit.

**Operator**

Your next question is coming from Paul Kratz, Jefferies.

**Paul Kratz** ***Jefferies LLC, Research Division - Equity Associate***

Just a few questions on my end. When I look at the organic recurring revenue growth, could you give us an idea of what the contribution was between cloud connected and cloud native? And then I think my second question as well is, is when I look at the progress that you've done on Sage 50, I think the next question that kind of comes up is what kind of progress are you going to -- or what's kind of the progress on the Sage 50 -- or Sage 200 user base in the UK&I? And does that kind of affect the shape of organic revenue growth into 2H? And then finally, I think on Making Tax Digital: I mean, has that also helped you in terms of reactivating users that are not part of the active or paying user base in the U.K.?

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

Yes, so just taking those questions. Taking tax digital has helped on reactivation as well, so that's been a contributory factor. And in terms of Sage 200, we are just beginning that migration in the U.K., but I think more importantly, look, thinking outside of the U.K., the migration program to cloud connected in Spain and France is only just beginning as well across the portfolio. So that's an important consideration. And then in terms of -- sorry, what was the other question?

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

On Sage, you wanted a split didn't you on the cloud -- oh yes, so it's cloud native...

**Jonathan A. G. Howell** ***The Sage Group plc - CFO***

I mean, in terms of that, the growth rates that we've seen in cloud native are very, very consistent with what we reported at last year-end. We don't break it down at the Q1 stage or the half -- at the Q1 stage. We will report it at the first half stage, but it's very, very consistent.

**Paul Kratz** ***Jefferies LLC, Research Division - Equity Associate***

And just maybe a quick follow-up on the -- on this reactivation. I mean, could you quantify the uplift that you've had in the U.K. from Making Tax Digital?

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

Yes, we -- well, we don't disclose it in total, but to give you an idea: If we have an off-plan customer, obviously, they're not paying anything apart from periodically when they do an upgrade. I think I said at the time of the half year results, on average, where we've reactivated a U.K. customer, the average annual revenue we're achieving with those customers is about GBP 650 a year.

**Operator**

Your next question is coming from Hannes Leitner, UBS.

**Hannes Leitner** ***UBS Investment Bank, Research Division - Equity Research Analyst of Software***

I have a follow-up on that question. If you -- you said that you have an uplift of 15% to 20%. Does this mean over the course of the contract? Or do you have to discount in the beginning?

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

Yes. So when I say we get an uplift of 15% to 20%, yes, it's a straight uplift from what they're paying today to what they're going to pay in the current year. So they're not multiyear contracts. I'm just talking about the uplift we achieve year-on-year. And obviously, when they -- that customer then comes to renew again in 12 months' time, if we're to achieve further growth, then we obviously need to cross-sell or upsell and deliver more value to that customer.

**Hannes Leitner** ***UBS Investment Bank, Research Division - Equity Research Analyst of Software***

And a follow-up on the cloud connected. So when you convert those contracts or -- is it on the contract base? Or is it always on the software delivery? And what is usually the implementation time of that?

**Stephen Hare** ***The Sage Group plc - CEO, Interim COO & Executive Director***

Yes. So there's no -- with a Sage 50 customer, the implementation is essentially immediate. I mean, it might take an hour or 2, but essentially what happens is you speak to the customer on the phone and it is a completely seamless upgrade to cloud connected that takes a few hours. There's no implementation. There's no professional services. With the Sage 200 base, it's slightly different because some of the installations are a bit more complex, so, for example, manufacturing companies. And in that case, there may be some implementation that the partner does because most of that business is through partners rather than through Sage direct.

So I think we're probably out of time now, so I think thanks very much, everyone, for your questions.

In terms of a sort of quick summary, I'd just like to emphasize, look, this -- it's -- we're pleased that we've got off to a strong start. As I've said during the Q&A session, this is something that we've struggled to do in the past, so it is good that we got that focus. We've got off to this good start, but as we've both emphasized during the course of the call, there's still a lot that we need to get through this year. There's a lot of moving parts. I'm pleased with the momentum that we have, but we shouldn't get carried away just because we've hit a double-digit recurring revenue quarter however pleasing that might be.

And I look forward to catching up with everyone when we do our half year results in May. Thank you very much.

**Operator**

Thank you. That does conclude our conference for today. Thank you for participating. You may all disconnect.