2Q18 Earnings Call Transcript

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Operator: The following is a recording for Manuel Perez of IRSTRAT on Thursday, July 26, 2018 at AM Central Time. This is the Crédito Real second quarter 2018 conference. Good morning, and welcome, everyone, to Crédito Real's second quarter 2018 earnings conference call. Crádito Real issued its quarterly report yesterday. If you did not receive a copy via email, please do not hesitate to contact us in Mexico City at +52-55-522-89753. It is important to note that the presentation and MP3 recording referred to in this call will be available at www.creal.mx. Before we begin the call today, I would like to remind you that the information discussed in today's call may include forward looking statements on Crédito Real's future financial performance and prospects, which are subject to risks and uncertainties. Actual results may differ materially, and the Company cautions not to rely unduly on these forward looking statements. The Company undertakes no obligation to publicly update or revise any forward looking statements. With us this morning from Crédito Real, we have Mr. Carlos Ochoa, Deputy CEO. He will discuss on the more important strategic, financial and operating aspects in the second quarter 2018. I would now like to turn the call over to Mr. Ochoa. Sir, please begin.

Carlos Ochoa: Thank you, Operator. Good morning, everyone, and thank you all for joining us today. Angel Romanos, our Chief Executive Officer, excuses himself for not being able to participate in this morning's call. I am proud to announce the results of a positive second quarter, setting new record highs for our consolidated loan portfolio on the one hand, and maintaining the upward trend in our bottom line, mostly our financial margin and net income. In terms of our business lines, payroll loans was the best performer in this quarter (inaudible 0:02:12.8) as loan operation affected by the situation prevailing in Nicaragua and (inaudible 0:02:16.8) advanced in both Mexico and in the United States. In the latter, (inaudible 0:02:16.8) demand and harsh immigration environment. One of the main drivers behind the good performance achieved this quarter was the resilient economic conditions in Mexico, with stable dynamics amid an uncertain environment resulting from the recently concluded federal elections and the ongoing NAFTA negotiation process. Regarding the former, our operating activities and (inaudible 0:02:47.8) strategic approach, especially for the payroll loan segment, remained unchanged, as we have yet to observe any groundbreaking development in the industry or any factors that might have a materially adverse effect on the Company's financial condition. In fact, we find positive for our Company and industry, most of the preliminary standpoints on economics and the view of the new President-elect, as some of the qualities he calls are oriented to goods in the internal market. Moving into the quarter results with greater detail, we generated 1.8 million pesos of financial margin this quarter, up to 30 percent from same period last year, making it yet another consecutive quarter of growth. These results were largely attributed to the growth in the consolidated loan portfolio and execution of our funding (inaudible 0:03:43.4) strategy, which more than offset the effects of the interest rate hike in Mexico. Drilling down in the P&L, the second quarter 2018 consolidated net income posted an annual increase of 9 percent, reaching almost 450 million pesos, where the main driver behind (inaudible 0:04:04.4) of our strategy oriented to the incorporation of high quality assets, which primarily stems from the associates of the Mexican pensioners during this period. During this quarter, our consolidated loan portfolio increased by 34 percent and 7 percent compared to second Q '17 and first Q '18 respectively, amounting to 33.6 billion pesos. And for the results by the business segments, the favorable loan origination increased 13 percent, reaching over 1.5 billion pesos, following our commercial endeavors to support the continuing addition of clients with proven credit records and stable income. (Inaudible 0:04:52.5), loan origination amounted to 740 million pesos, but it is expected to regain traction with the ongoing efforts to improve origination standards. The used car segment, loan originations was 783 million pesos, mainly attributed to the origination in Mexico, while recording average (inaudible 0:05:14.8) performance in the US. Another development, our shareholder's meeting approved the adoption of the non regulated financial institution redeemed. As mentioned in this quarterly release, this position will not affect in any way Crédito Real's corporate structure, reporting practices, business operations and our communications with the investing public. Also, we launched Crédito Real's USA merger between Don Carro and Crédito Real USA Finance, previously known as (inaudible 0:05:47.5) Acceptance. In order to expand our brand and deepen our market penetration in the United States and better differentiate our financial products from our competitors. Once implemented, these enhanced operations will bring further support to our operating efficiency endeavors and contribute to (inaudible 0:06:07.5) the origination of credit. On another note, we are pleased to receive for three consecutive years the certification of socially responsible company from the Mexican Philanthropy Center. These awards reflect our commitment to align our practices to the best interests of the environment and communities where we operate. The results achieved so far this year encourage us to keep moving towards the goals set at our 2018 guidelines, while remaining aware of the opportunities posed by the configuration of the (inaudible 0:06:42.7) Credit Publica Administration landscape in Mexico. Nevertheless, the positive results of this quarter are overshadowed by the irreparable loss of Francisco (inaudible 0:06:55.7) on July 14. I have no words to describe the feeling of emptiness left by Paco's departure. His name will remain perpetually etched in Crédito Real. May he rest in peace. Moving to the financial information in more detail, regarding the interest fee income during this quarter, we reached interest income of 2.6 billion pesos, increasing 30.5 percent compared to second Q '17. This variation was mainly driven by the positive growth and the performance of (inaudible 0:07:29.5), used cars in Mexico and payroll businesses. Regarding the expenses, the average cost of funds increased to 11.4 percent, an increase of 10 (inaudible 0:07:40.7) when compared to 11.3 in the second Q '17, attributed to a higher total debt and increase in the Mexican reference rate. The financial margin increased 30.4 percent to 1.7 million pesos. We now fully see the effect of the repricing of all our products that took place in the last couple of years, thus, our international businesses contributed above 34 percent to the consolidated financial margin. Provisions for loan losses reached 40.4 million to 455 million pesos during this quarter, representing 5.4 percent of the consolidated loan portfolio. The 173 million peso increase compared to the second quarter '17 was primarily attributed to fourth quarter expansion in the InstaCredit business, mostly because of the decrease in both Nicaragua's portfolio and origination. The cost of risk during this quarter remained stable at 5.4 percent, compared to the 5.3 percent in second Q '17. However, due to the recovery of the charge off accounts, which amounted to 75 million pesos, the provisions line would have decreased to 380 million pesos (inaudible 0:08:57.0) because of risk net of this collection, and past due charges would be about 4.5 percent (ph 0:09:03.8). Commissions and fees collected decreased 7.5 percent during the second Q of '18 to 194 million pesos compared to the second Q '17, integrated by 140 million and 44 million commissions collected from (inaudible 0:09:21.3) and integrated respectively. Administrative expenses reached 907 million pesos during the second quarter of '18, showing a 16 percent increase when compared to 781 million pesos in the second quarter of '17. The addition of 126 million pesos was driven by 103 million increase in expenses associated to the portfolio expansion of the businesses in Mexico and 36 million increase in the Central American administrative expenses due to the business' organic growth. This was partially offset by an 8 million decrease in debt (inaudible 0:09:59.1) expenses and a 5 million decrease related to the consolidation of the collection process in the businesses in the United States. This quarter, the net income reached 459 million pesos, showing an increase of 8.7 percent year over year. Regarding key financial ratios, during the quarter, ROE stood at 12.5 percent. ROA was 4.1 percent. Excluding the perpetual notes, which principle have equity treatment and is registered in the Company's equity, ROE reached 17.5 percent in the second quarter of '18. This quarter, efficiency ratio decreased to 44.6 percent compared to 49.1 percent in the second quarter of '17. This quarter, the capitalization ratio reached 44.6 percent compared to 35.8 percent in the second quarter of '17. Excluding the perpetual note, the capitalization ratio reached 32.1 percent in the second quarter. As of June 30 of this year, Crédito Real's consolidated loan portfolio totaled 33.6 billion pesos, above 33 percent when compared to the same period last year, driven by the double-digit growth in SME's, used cars in Mexico and the payroll. It is worth noting that notwithstanding the current environment of high inflation and rising interest rates, our loan origination was higher this quarter compared to the second quarter '17 and the first quarter of '18. Our payroll portfolio increased by 35.3 percent to 22.7 billion pesos, supported by the pensioners segment growth, which represented 40.5 percent of the total payroll origination during the quarter. Almost 80 percent of the payroll loans originated during the quarter derived from our three main distributors in which we own equity. In addition, the NPL decreased from 1.5 percent in the second quarter '17 to 1.2 percent in the second quarter '18. Our SME's portfolio increased almost 80 percent year over year, totaling 2.9 billion pesos, as of the second quarter of '18. Also, the NPL decreased from 2.7 percent in the second quarter of '17 to 0.8 percent in the second quarter of '18. Our used car portfolio in Mexico reached almost 800 million pesos at the end of the second quarter of '18. that shows an increase of almost 50 percent year over year, while the origination amounted to 431 million pesos. This quarter, the NPL was 0.7 percent, compared to the 1.3 percent for the same period last year. Our used car business in the States reached 2 billion pesos at the end of the second quarter of '18, increasing almost 7 percent year over year. Origination for the quarter amounted to 352 million pesos, while the nonperforming loans ratio decreased 1.3 percent in the second Q '17 to 0.5 percent in the second year '18. (Inaudible 0:13:32.2) loan portfolio reached 4.7 billion pesos during the quarter, showing an increase of 18.2 percent year over year, with an NPL of 6.4 percent. The increase in the NPL is mainly due to the deterioration of the used car business in the region and the Nicaragua portfolio. (Inaudible 0:13:52.0) others, which is integrated by durable goods and (inaudible 0:13:55.4) businesses registered in our loan portfolio of 581 million pesos during the quarter, a 41 percent increase year over year, and origination reached 1.4 million pesos, increasing 3.8 percent year over year, both driven by the loan group business. In relation to asset quality, this quarter, the consolidated nonperforming loan ratio was 1.9 percent, decreasing 30 basis points from the 2.2 percent recorded in the same period last year. It is important to highlight that Crédito Real's nonperforming loan ratio remained way below the average industry. With this, I conclude my remarks, and now let me turn back the call to the Operator to open the line for Q&A.

Operator: Thank you, sir. Ladies and gentlemen, to ask a question, please press star one on your telephone keypad at this time. If you're using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is star one if you would like to ask a question. Our first question will come from Ernesto Gabilondo from Bank of America Merrill Lynch.

Ernesto Gabilondo: Hi, good morning, Carlos, and thanks for taking my call. Two questions from my side. And the first one is, we continue to see strong loan growth, but the NAI (ph 0:15:21.3) has been strong but below the loan growth. So do you think this strength should continue in the next quarters, or what should be the drivers behind to have NAI growth more correlated loan growth or even above? And my second question is on asset quality. We continue to see the cost of risk above 5 percent, and you explained that the credit was affected by the Nicaragua operation. But when do you expect this cost of risk to be finally trending down to the levels you have mentioned before of 4 1/2 percent? Thank you.

Carlos Ochoa: Hi Ernesto. Thank you for your call. Well, firstly, I mean, in terms of the - let me address your first question in terms of the yield. One of the good things about the concentration that we now currently have on the pensioners segment in the payroll business is the asset quality. That's the best in class asset - the best asset that we currently have. So yes, it's true that that puts pressure on the yield, because the interest rates that we charge for the pensioners are lower than with the rest of the products. But however, that helps you, on the other hand, with the provisions, when it comes to the provisioning, improving the asset quality overall. Therefore, we feel very comfortable with that one, and those are driving the growth rate above the average. Now when it comes to the NPL's and the cost of risk in general trends, I would say that yes, if you look - you know, the cost of risk has been stable over the last three or four quarters, in the range of the 5.2, 5.4 or in the range that you see this quarter. But once (inaudible 0:17:12.4), once that yield nets that cost of risk of the other income that generates the cash collections from charts of accounts, that yields us the 4.5 that we feel comfortable with. So I think there's room for improvement when it comes to interest rates. Yes, we still have to be held to the situation in Nicaragua as that develops, but I don't see the cost of risk getting worse than it currently is, especially with the growth rates that we are experiencing. I don't know if this answers your questions.

Ernesto Gabilondo: Yes, yes, thank you very much, Carlos. Just a follow-up on this, so what should be - I don't know if it will be stable cost of risk, higher NIA (ph 0:18:03.8) growth and lower OPEX to achieve the finally the double-digit growth, because if we look to the loan growth, it has been very good. So what is missing on the equation to have finally the double-digit earnings (inaudible 0:18:19.9) in Crédito Real?

Carlos Ochoa: Well, we're almost there. We're just shy of the 8 percent, so we are almost there. And it's also important to bear in mind that the fee, the reference ratio in Mexico, increased in this period over 70 basis. So that continues to affect. Also, if you look at the percentage of the financial marking that came from our more profitable products, we charge those products outside Mexico. Today, they represent 35 percent, so once that we reach to a normalization of 40 percent, I think that we'll be there.

Ernesto Gabilondo: Perfect. Thank you very much.

Carlos Ochoa: Thank you, Ernesto.

Operator: Thank you. As a final reminder, please press star one at this time for questions. We'll now hold. Again, that is star one if you would like to ask a question. Our next question comes from Nick Dimitrov from Morgan Stanley.

Nick Dimitrov: Hi Carlos. I have a couple of quick questions. The first one is going to be on the US operations. And if I remember correctly, you've previously stated that the business will become profitable probably by year end. And I just want to double-check whether we are still on track for that happening. And my second question is going to be on InstaCredit. If you can tell us where you are in terms of kind of restructuring this business. Obviously the stock (ph 0:19:55.6) has deteriorated there (inaudible 0:19:55.6) by the underwriting standards. We are seeing some of the metrics moving in the right direction, but my question is going to be, are we kind of done with restructuring there, or is there more to come? Thank you.

Carlos Ochoa: Hey Nick. When it comes to the US business, I mean, we are still struggling with (inaudible 0:20:17.5) on the commercial side of the business. Honestly, the challenges that we've been facing over the last year and a half, when it comes to addressing our customer base, and you know the harsh environment from our customer base that has affected us, and that continues to be the case. However, the positive part of the story is that when you look at the other business, Asia, the previously known as (inaudible 0:20:51.1) business, it's already profitable, that one. So we're very proud of what we've have accomplished so far when it comes to (inaudible 0:20:58.3), and we will continue to struggle with its own capital, but aiming to watch our goal of making both of them profitable by year end. When it comes to InstaCredit, excuse me?

Nick Dimitrov: Yeah, please go ahead.

Carlos Ochoa: Okay. When it comes to InstaCredit, we're not restructuring. I mean, basically the problem over there was one particular problem which was the, as we mentioned before, the Uber drivers in the region, in Costa Rica in particular. That led us to be more restrictive in terms of low origination, and now the situation that has been prevailing in Nicaragua over the last, you know, since April, I mean, that has led to, you know, we stopped originating loans over there. Basically what we are doing in Nicaragua is basically collecting the portfolio, which amounts roughly to $35 million, and we've been very active on that end, but we are not originating new loans over there. So that doesn't help you when it comes to the performance of the group, to the overall performance of the group. We expect for things to improve in Nicaragua, and as for the rest of the countries and particularly in Costa Rica, I think that we're already on track to regain the dynamics that we've seen in that business in the previous months or quarters.

Nick Dimitrov: Okay, thank you. And if I can ask one last question, so your (inaudible 0:22:36.0) lending almost doubled year over year. It was up like 80 percent or something. What is driving that increase? Is it really demand for (inaudible 0:22:47.4) loans, or is it kind of a considered effort on your side to increase exposure to SME's? Or is it a combination of (crosstalk 0:22:56.0)?

Carlos Ochoa: (Inaudible 0:22:56.2). It's demand. It's mostly demand. I mean, we're seeing a big opportunity over there, I mean especially in these times, and especially, you know, finding new profits for this particular segment. And we are very confident that that one is going to be one of the drivers of growth for the Company for years to come.

Nick Dimitrov: Understood. Thank you.

Carlos Ochoa: Thank you, Nick.

Operator: Thank you. Our next question comes from Natalia Corfield from JP Morgan.

Natalia Corfield: Yes, hi Carlos. I have a couple of questions. And my first one is with regards to origination. As you mentioned in the call, you have been originating at a very strong pace. And if we look at the first half of 2018, you originated 59.2 percent (ph 0:23:47.1) of the total that you did in 2017. So if you could give me like more color, what can I expect for the second half? Is this going to continue to be strong like this, and how are you going to fund to this strong growth pace? And if you could also let me know how much to expect in collections for the second half, that would be very helpful, too.

Carlos Ochoa: Hi Natalia. Thank you for your questions. I mean, we are very pleased with the growth rates and with the originations that we've experienced this year. It's important to mention that the dynamics of the business, especially when it comes to the payroll business change, when we introduced the pensioners segment, and that changed in (inaudible 0:24:37.6) for the first half of the year, because if you remember, when we didn't have that segment, when we didn't tap the pensioners segment, what happened during the Christmas break in particular is that we had a (inaudible 0:24:53.4) of the sales forces that took us a few weeks of the first quarter. So there was a negative seasonality associated to this. With the pensioners segment, our origination remains stable year long, and that continues to be the case, not only for the Christmas break, but for Easter break and the summer break. So that's why that continues to be one of the most important drivers of growth in the payroll business. And we expect that to continue for the second half. We don't see a reason for that trend to change in the next few months. When it comes to funding, I mean, if you look at the - it's important to bear in mind that the most important source of collection that the Company has, the most important source of funds that the Company has, is the collection itself. We generate so much cash that it allows us to grow at a pace, I don't know, probably around 5-10 percent simply by the interest rates that we charge and the asset quality that we currently have. So, that will be the main source of funds. And additionally, what we've seen when given the efforts that we've made in the last quarters, especially with the securities (inaudible 0:26:15.5) and tapping the international markets, both with the perpetual and the Swiss (ph 0:26:20.2) market, I think there are a wider source of funds that we could be recurring to in order to finance the remaining of the year.

Natalia Corfield: Okay, Carlos, and in terms of the collections, like how much do you have in the first half, and how much do you expect to have in the second half?

Carlos Ochoa: You know, Natalia, those are specific questions we can address it offline. I will tell Ernesto to send you all that information.

Natalia Corfield: Okay. And if I may, do you have the number, for instance, of available credit lines that you have, or do you prefer me to take that offline, too?

Carlos Ochoa: Yes, we can take that offline. I mean, I could give you broadly the available bank lines. I think it's, I don't know, roughly something around 2 billion pesos that we have on drawn bank lines at this moment, but in any case, Ernesto is going to provide you with exact information.

Natalia Corfield: Okay. And last question on provision expenses, something that's caught my attention in this quarter, is that the line orders that refers to your durable goods and the group lending business, there has been an increase in provision expenses there. And as I understand, I think there were goods you were discontinuing it. So what has been driving the higher provisions in those segments?

Carlos Ochoa: I mean, if you look at the growth rate in that particular segment year over year, it was above 40 percent, so that increase is explained by - partially that increase is explained by portfolio expansion. And as well for, I think when you compare that to the first quarter, there was a realization of provisions, but I will address that one offline with you.

Natalia Corfield: Okay, alright. Thank you.

Carlos Ochoa: Thank you, Natalia.

Operator: Thank you. Our next question comes from Manuel González from Signum Research.

Manuel González: Hi, good morning and congratulations on your results. I was wondering if you could give us some color on your perspectives for the new administration in Mexico, particularly in the part of payroll loans, given that the new president mainly has stressed that he wants to (inaudible 0:29:00.7) off the educational reform. And (audio interference 0:29:08.2 - 0:29:12.5).

Carlos Ochoa: Excuse me, I didn't get the last part of your question.

Manuel González: Sorry. And also, I was wondering if you give us some color on the evolution of SME's sector. I mean, are you going to give it a little more weight on your share, on your income share?

Carlos Ochoa: Yes, well, first regarding what we expect for the next couple of years, at least for the next couple of years, I think that the new administration is going to promote internal consumption, and that has to be positive for the country overall. When it comes to specifics, you know, policy intentions that the new administration has, I mean first, they don't seem to affect our customer base in the sense that all the changes that he intends to do with the public administration, with the public servants, are not addressed to, especially those that you know, wages cuts and things like that, are not addressed to our customer base. It's important to bear in mind that we work only with union and government employees, and if you look at what they intend to do in the next few years, is that actually, the unionized bases are not going to be touched or affected negatively in any way. When it comes to specifically about the educational reform, what we've heard so far is that they want to review the evaluation of the teachers. I think that they are not comfortable with that, as far as I can understand what they intend to do, is they are not comfortable with the way they are evaluating the teachers. And that's most likely the one that is going to be affected, and not the most structural part of it. That's our view. When it comes to the SME's, I mean probably the most important part is that they represent roughly 60 percent GDP, so that gives you an idea of about the potential of this segment. And definitely, if we have an interesting product for them, it's definitely something that we'll continue to grow.

Operator: Thank you. Our next question comes from Ramón Gómez, Firma Tar.

Ramón Gómez: Hello, Carlos. Can you hear me?

Operator: Yes, sir. Please go ahead.

Carlos Ochoa: Yes, I hear you.

Ramón Gómez: Hi Carlos. Congratulations on a very good quarter. I have two questions. One is first, is the situation in Nicaragua going to go worse rather than better in the short term? It seems to me that it's going to have the way of Venezuela, which has gone from worse to worse and worst, so what's your vision on that? I mean, I think you have much view of what's happening there. And the second one is, what is the practice of the buy-back program that you have, because you did something, and then I think you stopped. Could you tell us about this as well?

Carlos Ochoa: Yes, Ramón, thank you. Well, first when it comes to Nicaragua, it's definitely a challenging situation over there. As you mentioned, you know in these cases, normally things tend to go worse before improving. So basically, the decisions that we took in place was on the one hand, stopping the whole origination, and that's what we did, and focusing only on the collection part, and being very sensitive about the collection process with the customers in order of not deteriorating the portfolio. I think that strategy is paying off. Unfortunately, we cannot afford to keep all the employees, all the sales persons, so there's been some downsizing on that end, but only on the commercial side. And as I was telling you, we keep focusing on the origination and being very sensitive of our customer base and about the situation that they are living. Let's hope that this improves in the near term. Last time I see, I think that they are intending to start talks or something, so let's hope for the best in that situation. When it comes to the buybacks, if we were active for two or three weeks, I mean we bought over 2 million. We were active, I don't know, for two or three weeks as I told you. And the reason for stopping that one was for our quiet period, I mean, before releasing these quarterly results, and we still have to decide whether we continue to, with the buyback program in the next weeks, or let's see the dynamics of stocks.

Ramón Gómez: Of the market itself.

Carlos Ochoa: Yes, that's right.

Ramón Gómez: Okay, Carlos, thank you very much.

Carlos Ochoa: Thank you, Ramón.

Ramón Gómez: Congratulations. Bye-bye.

Operator: Thank you. Our next question comes from Claudia Benavente from Santander.

Claudia Benavente: Hi Carlos. I have two questions. The first one is about loan growth. So far, (inaudible 0:35:06.1) you have been posting for (inaudible 0:35:08.1) materially (inaudible 0:35:11.2) 2017 guidance, off 10, 20 percent, so I was wondering what should we expect for the second half? And my second question is regarding your position with development banks. How much of your (inaudible 0:35:23.3) currently has been obtained from them, and how do you see this position could be effective on the back of government's projected intentions to make more (inaudible 0:35:32.2)? Thanks and thank you from my side.

Carlos Ochoa: Hi Claudia. Well, when it comes to the guidance, I mean, yes, at the beginning of the year, as you know, we guided 15 to 20 percent, and clearly we're exceeding that one. So I think that we're going to be on the higher end of that. At least we're going to be on the higher end of that guidance. If things continue during the second half, which we don't expect any changes, we would expect to on the top end of that guidance. Let's hope for that. When it comes to development banks, I mean right now, we work with (inaudible 0:36:11.4), and we are in talks with BIV, and with (inaudible 0:36:19.3), we had a blind (ph 0:36:23.0), which we passed for so many years already, award for 1.5 billion. And we don't expect that one to change with the new administration. Does this address your question?

Claudia Benavente: Yes, or maybe, I don't know, like (inaudible 0:36:40.6) or have a better idea of how this like work in process with the development banks is going to grow. Maybe if they're even going to become more robust, I don't know. Maybe you can address that the current lines can increase -

Carlos Ochoa: I don't think so. I mean, we have no reason to believe that the (inaudible 0:37:00.4) would suffer any changes in the next year or because of the change in the administration. I think there's a lot of uncertainty among them as well, because you know, they are - I mean, one of the proposals of the new administration is to move them to (inaudible 0:37:16.5) in the northern part of the country. So I don't know how that affects them, but we haven't heard anything different from them.

Claudia Benavente: Okay, great. Thank you, Carlos.

Carlos Ochoa: Thank you, Claudia.

Operator: Once again, if you would like to ask a question, please press star one at this time. Our next question comes from John Haugh from Morgan Stanley.

John Haugh: Hey, good morning, Carlos. Thanks for the call. Most of my questions have been answered, but can you maybe give any thoughts on the M&A environment and the usual question that comes up every quarter - any thoughts about further purchases of participation in businesses that you already own - Maestro and so forth?

Carlos Ochoa: Hey, John. Good to hear you. Well actually, we - I mean, the M&A is a strategic part of the Company. However, we closed that one this year, you know, because of all the changes, not only the election here in Mexico, but also NAFTA renegotiations and (inaudible 0:38:24.3), so basically all this, is to answer you that right now, we don't have anything on the pipeline.

John Haugh: Okay. And in even some of these agreements where to buy Maestro at this point, it's just going to be on hold?

Carlos Ochoa: Yes. Right now, that's not going to change.

John Haugh: Okay, alright. Thank you for your time.

Carlos Ochoa: Thank you. Take care.

Operator: Thank you. At this time, I'm showing no further questions in the queue. The conference is now concluded. Thank you for being with us today. You may now disconnect.

Carlos Ochoa: Thank you all.

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