3Q19 Earnings Call Transcript

October 24th, 2019

10:00 AM CT

Operator: The following is a recording for Manuel Perez with IRSTRAT S.A. de C.V. on Thursday October 24th, 2019 at 10:00 AM CT. Good morning, and welcome, everyone, to Crédito Real's Third quarter 2019 Earnings Conference Call. Crédito Real issued its quarterly report on Wednesday, October 23th, 2019. If you did not receive a copy via email, please do not hesitate to contact us in Mexico City at +52-55-52-289753. It is important to note that the presentation and MP3 recording referred to 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. Angel Romanos, Chairman and CEO and Mr. Carlos Ochoa, Deputy CEO. They will discuss on the more important strategic financial and operating aspects of the third quarter 2019. I would now turn the call over to Mr. Romanos.

Angel Romanos: Thank you operator. Good morning everyone and thank you for joining us today. Even though we acknowledged that this quarter net income rise fell short of expectations we are convinced that by the end of the year we will be able to reach our Guidance, as we are seeing significantly less pressure over the consolidated NIM between interest rates cuts in Mexico, debt refinancing and product mix. The steady growth in the loan portfolio of the Company, thus consolidating the performance recorded as of the first half of the year, was firmly supported by the incremental dynamism achieved on our international operations. In this context, we ended the period serving over 913,000 clients; drawing from our innovative financial solutions that quarter-over-quarter allow us to further expand our customer base and average loan. Regarding the prevailing environment of the third quarter, it is important to note that, although the growth of overall Mexican economy remained slow, we observed resiliency in the C and D segments where we serve, driven by the increase in base salaries and a firm consumer confidence that is still ranging at high levels. On the international side, in the United States front, despite the arising of certain dovish expectations, we do not expect signals of deceleration for the year 2020, given the realization of federal elections. On the contrary, GDP is growing above its equilibrium rate. And, in Central America, Instacredit's results clearly reflect signs of broader stability. Turning now to our performance by segment. Our operations in Mexico recorded mixed results, as Payroll origination was stable, but lower-than-expected. In contrast with the strong momentum of Small and Medium Companies. In this regard, Payroll loan origination went down in an annual basis, but gained traction on a sequential basis, as we kept adding clients of solid credit profiles. On the Small and Medium-sized Enterprises front, loan origination continued to perform solidly, by increasing 42% year-over-year. This outstanding growth stems from our comprehensive strategy oriented to unattended companies of solid credit profiles. As for Used Cars in Mexico, loan origination performance showed signs of an incremental traction, as we saw the igniting of an enhanced dynamism in its operating drivers. All in all, overall loan portfolio in Mexico reached over 34 billion pesos as of quarter-end, up 22% versus the same period last year. While recorded an outperforming NPL ratio of just 1.3%, which was improved in 10 basis points from the rate recorded a year ago. It is worth emphasizing once more the resiliency of our operations in Mexico, as there is further room for growth in the under-served niche of the traditional banking, on the one hand, and on the other, a great opportunity of keep tapping into the service of Mexican SMEs through attractive and customized financial solutions. Additionally, there are further grounds of support for the industry's performance that stemmed from the government programs oriented to widen the financial inclusion in Mexico. In relation to our international businesses, Crédito Real USA kept momentum, fueled by the ongoing consolidation of commercial and operating endeavors that quarter-over-quarter bring generation of new synergies. Consequently, loan origination growth achieved at a triple-digit rate, as we were able to effectively engage, thanks to a unified and streamlined platform, while pushing forward key initiatives to operate under comprehensive risk controls. Therefore, delinquency decreased 10 basis points on an annual basis. On Central America, we moved forward in our endeavors of stabilization; seeing positive signs of recovery, despite the prevailing crisis in Nicaragua. Therefore, Instacredit's loan origination grew 15% in an annual basis. And, its non-performing loan ratio solidly decreased to 5% from 7.3% recorded in the same period last year. This outcome reflects the implementation of better aligned and more responsive credit origination and operating standards oriented to normalize asset quality and profitability. Going over the developments of the period, especially noteworthy was the international offering of Senior Notes for 350 million euros that marked an important milestone in our history as an active issuer of corporate debt; making Crédito Real the first Mexican non-banking financial institution and the only high-yield Latin-American company to perform this kind of issuance over the past 5 years. Actions like this, together with the August's subscription of a 110 million dollar syndicated credit line and the recent investment rating given by the Japan Credit Rating Agency, gear towards the enhancement of our investors and funders base. Wrapping up, we continue moving forward in the right path, despite the challenging macroeconomic environment across the different markets where we operate; performing at a solid pace on SMEs in Mexico, while counting on a resilient performance in Payroll, and having a sustained trend of growth in our international operations, both in the United States and Central America. In addition, we walk ahead towards the year-end, encouraged by our operating fundamentals and positive on the landscape of lower interest rates foreseen for next quarters, as it will allow us to increase our margins of benefits. Finally, I would like to thank our customers, partners and shareholders for their unwavering support in our crusade to expand the financial inclusion in all the markets we serve. Before closing, I would also like to personally invite you to join us in our 2019 Investor Day, that will be held for the first time in New York City, where we will discuss about our business plan and further expectations. At this point, I hand the call over to Carlos, who will discuss on greater detail our financial performance over the quarter.

Carlos Ochoa: Thank you Angel. Good morning and thank you all for being part of our quarterly conference call. Starting the discussion of the quarter, in 3Q19, the unfavorable evolution of the Fx caused a negative effect, which was reflected in the financial margin and in the intermediation result, on the following items: an unhedged 30 million dollars credit facility, and, the mark-to-market valuation of the derivative financial instruments which jointly generated a 85 million pesos loss. Moving forward to the P&L. Interest income increased 15.1% year-over-year, from 2.6 billion pesos to 3 billion pesos, reflecting the consistent growth of the consolidated loan portfolio over the last twelve months. Interest expense totaled 1.2 billion, up almost 44% when compared to that of 833 million pesos in the same period last year. This variation primarily stems from the Company's larger debt balance and higher funding costs, as well as from the Fx losses previously discussed. As a result, the financial margin posted a slight annual increase of 1.5%, reaching 1.8 billion pesos, as improved results of our international operations were partially offset by a more modest pace of the Payroll's growth in Mexico. Provision for loan losses decreased by 9.1% year-over-year, totaling 429 million pesos, derived from the improvement in loan portfolio quality across all business segments. The coverage ratio solidly increased to an almost 180% rate, reflecting the Non-performing Loan Ratio enhancement. Administrative and promotion expenses totaled 930 million pesos, down 1.2% when compared to the 941 million pesos recorded in the same period last year. This variation is attributed to the continued generation of operational efficiencies in Crédito Real USA, and cost optimizations performed in Instacredit, which offset the effects of debt issuance expenses and further expansion in Mexico's loan portfolio. Net income amounted 435 million pesos, representing an annual decrease of almost 14%, largely due to the factors already explained, including other minor effects such as a softened collection of charged-off accounts and foreign exchange fluctuations. On a year-to-date basis, Return on Average Equity was 12.9%, and excluding the Perpetual Notes effect, this metric stood at 17.5%, while Return on Average Assets was at 3.9%. Capitalization Ratio stands at 37.9% as of September 30, 2019. The funding cost remained at 13.2%, in line with that of the previous quarter, reflecting the recent interest rate cuts performed by the central bank and lower borrowing costs associated to the credit facilities subscribed during the quarter, including a 110 million dollar syndicated facility. Towards the year-end 2019 and the upcoming quarters, we expect that our funding cost contracts due to the arising opportunities from the prevailing environment of lower reference rates, and more important, to lower debt funding cost associated to the euro denominated bond issued this October, which represents approximately 250 basis points improvement against that of the Senior Notes 2023. Moving in broader detail in the analysis of our loan portfolio dynamics. The consolidated loan portfolio amounted to 43.5 billion pesos at the end of the third quarter of 2019, a 24.4% year-over-year growth, driven by a positive performance across all business segments, outstanding Small and Medium-sized Enterprises. SMEs loan portfolio increased 86.2% on an annual basis, reaching 5.9 billion pesos, as customer response remained solid. This portfolio accounts for 13.8% of Crédito Real's consolidated loan portfolio as of the 3Q19, increasing its share by 460 basis points in relation to the third quarter of 2018. Payroll portfolio totaled 27 billion pesos, up 11.5%, as there has been a certain deceleration in the growth rate that follows a higher caution in the expense decisions, and which is expected to normalize once the Mexican economy regains traction. Used Cars in Mexico portfolio amounted to 1.3 billion pesos, an annual increase of 54.5%, driven by our wide commercial outreach. As for the United States businesses, the portfolio totaled 3.4 billion pesos, a 78% year-over-year increase, representing 7.7% of the consolidated loan portfolio. The performance was driven by a further consolidation of the Crédito Real USA operational platform, which allowed us to serve customers in a more competitive manner and develop new commercial strategies to attract new customers. Instacredit's loan portfolio grew by 12.6%, to reach 5 billion pesos, largely driven by the development of key initiatives to further stabilize its operational and financial performance in the face of the remaining challenges in Central America. In this context, I would like to remind that we will continue prioritizing profitability and asset quality over origination, as we seek to fortify our operations in Central America, to face the wavering economic conditions of the region. Moving on to loan portfolio quality. The consolidated NPL ratio declined from 1.7%, to 1.7%, from 2.1% in the third quarter 2018, resulting from the improvement of our credit origination and collection controls. Turning to our balance sheet. As of September 30, 2019, total assets increased 22% or 10.4 billion pesos, compared to the same period of 2018, amounting 57.4 billion pesos, following the consolidated loan portfolio growth, debt issuances, and credit facilities subscribed over the last twelve months. Outstanding debt totaled 37.5 billion pesos, up 34.5% or 9.6 billion pesos more on a year-over-year basis, largely explained by the placement of our Senior Notes due 2026 and the subscription of the syndicated facility. To conclude, as of quarter-end, Stockholders' equity totaled 16.5 billion pesos, an annual increase of 7.7% or 1.2 billion pesos, derived from the already discussed factors. 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: Ladies and gentlemen, to ask your question, please press *1 on your telephone keypad at this time, if you are using a speakerphone please make sure that your mute function is turned off to allow your signal to reach our equipment. We will take our first question from Ernesto Gabilondo with Bank of America.

Ernesto Gabilondo: Hi good morning, Angel and Carlos, thanks for the opportunity. I have got three questions. My first question is, if you can elaborate in the impact that affected the bottom line this quarter, and then maybe I think, they will not repeat next quarter, for example the market loss, lower fees and weaker expenses associated to the recent debt issuances. My second question is on your cost of funding, I believe the implied cost of funding is 13.2%, but with the recent debt issuance at a lower rate, we believe there could be some benefits for your total cost of funding. So, would it be reasonable to expect the cost of funding improving by around 150 basis points next quarter? or, you think the benefit would be even wider by including the benefits of lower interest rates? And then, finally, my last question is on the market loss, if you can elaborate on, how can we be monitoring the potential impacts for this line?, I believe you have around 16 derivatives and during the quarter there was an average unappreciation of the peso that resulted in the market loss. So, can you share with us if there is an Fx level or a range that we can consider to understand when can you have positive or negative impacts in this line? Thank you.

Carlos Ochoa: Thank you, Ernesto. And let me, let me address first the cost of fund question you have. I mean, we are convinced that what we, I mean, that we already passed the big part of the cost of funds, meaning that the 13.2% that we are already seeing that is going to be the maximum. From here, we would expect improvements in different fronts. For starters, you know the reference rate here in Mexico, we would expect an additional 50, that is our best case scenario here in Mexico, is an additional 50 bps cut for the remaining of the year. And all together the cuts at rates experienced over the year, the whatever the 50 or 75 bps, that being cut already that should represent an additional benefit for the Company of around 30 to 40 million pesos, something within that range. More important than that, if you look at the tender offer that we just successfully did at the beginning of this month. We were able to tender for 200 million dollar pesos out of the 625 million dollars outstanding 2023. But the most attractive part about that one is that we were paying for those 200 million dollars, we were paying TIIE + 614, that was the cost of that debt. And we replaced that one with the euro transaction that we recently issued, and we replaced that one in pesos at 11.33% fixed rate at that level. So if you think in those terms, that would represent over an amount of 200 million dollars, a benefit of 250 bps, which is going to represent a major impact on that one. Additional to that, what we have is that we are seeing, we are finally seeing that the credit facility, the credit line that we have with Nafin, which right now stands at 1.5 billion pesos and that has been maxed out for the past 2-3 years. We believe that the in the next credit committee of Nafin, that could be increased to a 5 billion facility and the good thing about that one is that could provide us with the financing for the SMEs, with the much needed financing for the SMEs business at a much lower rate. Just to remind you, in terms of the the cost of the Nafin line, we are paying something around TIIE + 280 or TIIE + 250, which is very interesting in terms of cost. So, all these effects combine and it makes us believe that the pressure over the NIM that we experienced over the quarter, that should be, you know, easing by the end of the year, and that should be NIM for the next, the, for the next few quarters. In addition to that, it is also worth noting where we are seeing the product mix. I mean if you look at the business, if you look at that SMEs business, on the one hand, the good thing about having a more larger, average ticket size on the SMEs side is that coupled with our business model of you know, cherry picking or cross-ending with existing customer base, that should represent, you know the, even though the margin, there is some pressure over the margin because of SMEs business but on the other hand there is an improvement in terms of the cost of risk, which is also beneficial in terms of net income. So what we are seeing here, is that the the SMEs business should not amount for more than 15% of the book, I think that that should be the case, that the SMEs business should be maximum around the 15% of the book and by having, you know, by not increasing that business much more, should release pressure over the NIM. So in terms of the NIM and the cost of fund question, I think, as I was telling at the beginning, we definitely believe that this was the, we were at the peak until this quarter. I do not know if that answers your questions in terms of the cost of fund.

Ernesto Gabilondo: Yes, that is great. So, 250 basis point benefit, right?

Carlos Ochoa: That is correct, over the 200 million tender of the 2023.

Ernesto Gabilondo: Perfect.

Carlos Ochoa: Now, when it comes to the question of the hedging and the effects that the volatility and the Fx costs on the P&L. First, for starters, I would say that we are very, very, you know, conservative in terms of hedging. If you look at all our foreign currency denominated debt, we just have 100 million pesos with other instruments, with a different financial derivative instruments, other than the cross currency swap, the full cross currency swap. So the volatility that you are seeing is given that we are constrained, you know, due to the accounting principles of the CNBV here in Mexico, the whatever we have with the call spread, which are those 100 million dollars with call spread, that caused some volatility over the P&L. As for the rest, we did not experience any volatility due to (inaudible) effect over the balance sheet in terms of mark-to-market. So, in terms of what we experienced during the 3Q. The thing was that we have a 30 million dollar short-term facility which was unhedged, basically that was unhedged, and that caused us a negative effect of around 30 million or something. And on the other hand, what we have is the mark-to-market of the derivative financial instruments, these was the call spread that caused us the remaining 50 million or 50 something million. So, the combination of those two effects, that was what caused us the 85 million pesos loss that you saw this quarter.

Ernesto Gabilondo: Perfect, thank you very much, Carlos.

Carlos Ochoa: And then you have the other thing I mean, for example, and more softened, what you see, I mean, another thing that, another line which was not as positive as in other quarters, the other income, the line other income from operations, which is mostly the collection that we get from charged-off accounts, well basically, the easiest explanation for that lower collection of charged-off accounts is that we have a much better performance on the consolidated portfolio, that leads to a lower, you know, late charges collection and charged-off accounts. So basically, that was mostly the explanation of that one. I think that with that I cover your three questions, right Ernesto?

Operator: And we will take our next question from Carlos Rivera with Barclays.

Carlos Rivera: Hi, good morning everyone, and thanks for the opportunity to ask questions. My first one is a follow up on the 85 million loss. Just, if I understood correctly, these 85 is composed of two elements. So, if you could just desegregate this one and tell us how much corresponds to the unhedged 30 million dollars, because I think that would be the non-recurring element, and not the other part. And my second question is related to loan loss provisions. Year-over-year, there is a positive evolution, but quarter-over-quarter there is big jump. I think that is coming from the car loan. So, if you could elaborate a little bit more what is giving this jump quarter-over-quarter, and, over the next quarters and next year, what level do you think we can expect for a loan loss provisions? Thank you.

Carlos Ochoa: Look, I mean, in terms of your first question, it was the 85 million dollars, the 85 million pesos, sorry, are explained, you know, 30 million where for the, you know, the unhedged facility. And as for the other 52, 52.6 million, that is the exact figure that is for the, you know, the valuation of the financial derivatives. So, basically that is the explanation for those two elements, of the 85 million, right?

Carlos Rivera: Okay.

Carlos Ochoa: When it comes to your, when it comes to your second question, you know, regarding the coverage ratio, I believe it was regarding the coverage ratio, right? So, basically, you see, I mean, for starters it is worth emphasizing that we follow, the way with provision is based on expected losses and this is CNBV compliance, right? So basically, what I am trying to say is that this is just an input for us. I mean, the way to (inaudible) the provisions, there a number of relevants that affect the provisioning. One of them clearly, is the asset-quality, and the other one was the, there are many factors, but basically what I am trying to say is that, an input as it is, I mean, we just, you know, probably we would like to have something lower in terms of provisions, but it is basically that. And is also explain by the seasonality in the state. So basically, those are the factors that affect the levels of provisioning and overall.

Carlos Rivera: Okay, so, just for the last quarter of the year, what is the typical seasonality? Based on only that, we expect an increase on the provisioning number? Or could be probably closer to the third quarter level?

Carlos Ochoa: No, I would say, I would say that in terms of the cost of risk, it is going to be more in line with what we have seen over the year. So, it is going to be more like, I would say something around the 3.5% or something within that range. I mean, it is also worth noting that if you look at the NPLs for the Payroll portfolio, that slightly increase from the 1.2% in the previous year to the 1.4%, this is explained through two factors. One of them was the, one of them was the, you know, the holiday period here in Mexico, that leads to some delays in the collection. And the other one was, you know, a situation that arose with the government agency in the state of Mexico for a couple of distributors, but that collection we got in October. So, these should normalize to the levels that we saw over the year, meaning something around the 3.5%.

Carlos Rivera: Okay, alright. Thank you very much.

Carlos Ochoa: Thank you.

Operator: We will take our next question from Nicolas Riva with Bank of America.

Nicolas Riva: Thanks Carlos and Angel for taking my question, I have got a follow up on these Fx losses on the 85 million pesos. So, you said you said that it is basically broken in two parts. One is the loss on the unhedged, that in dollars, the 30 million dollars. I am not (inaudible) because the peso depreciated versus the dollar. But the second part, if you are hedging on that your Fx risk, I would assume that you are long dollars and short pesos and therefore you would have made money on that pitch in the third quarter. Are you after hedging the Fx risks? Or, why did you have that loss on that hedge in the third quarter? Thanks.

Carlos Ochoa: I mean, if you look at if you look at the hedging, I mean, what you have, the thing about the, following CNBV accounting principles is that when you use a different instrument other than the full cross currency swap current, meaning for example, a call spread, which is a much more efficient, which is a much more efficient way to hedge. That according to the CNBV accounting principles, that is not treated as hedge accounting. So, basically the effect that you see over in the 52 million pesos that I described, that I described earlier, is simply associated to the valuation of the financial derivatives of the 100 million pesos that we have with call spread. So, basically that is the explanation. And it is basically, on the underlying aspect behind that it was simply Fx appreciation.

Nicolas Riva: No, no, Carlos. On this 100 million pesos call spread. Is there a way then for us, to predict the losses or gains based on Fx movements? I mean, do you typically lose then, this much amount? I mean, do you typically lose when you have the peso depreciating versus the dollar on that position?

Carlos Ochoa: Look, I mean, there are many aspects if you look at how auction derivatives are valuated, I mean, there are different aspects that affect the valuation of those. For starters, you know, the time value, the time value, you know, the money time value. On the other hand, you have volatility and Fx, and there are many, many, many aspects that affect that one. But I think that the main aspect of this one, it is that only on this small portion of our consolidated debt we have, you know, call spreads, only with a 100 million. We could be more aggressive in terms of hedging and having a much lower cost of fund. But given that we follow, given that we follow, given that we follow CNBV accounting principles is that we preferred to be conservative in order of not having additional volatility on the P&L.

Nicolas Riva: Okay.

Carlos Ochoa: If you look at the, If you look at the, if you want a detail of all the hedging that we currently have, you can see that on our 3Q earnings release. I mean, you have over there the detail of all the hedging and the cost associated to each of that.

Nicolas Riva: It seems to be that going forward, I mean, if I want to predict your Fx losses or gains in any quarter, I can just take the 30 million dollar unhedged position, on the you know, see that the change in the peso, which to me gave me a loss of 15 million pesos on that 30 million unhedged position in the third quarter, based on what happened with the peso. But the other stuff, it is not clear what the rule of thumb on how much you lose or make on that, on those 100 million pesos call spread and depending on what happens with the Fx, no?

Carlos Ochoa: Yeah, I mean, probably, yeah, I agree with that, I mean, I agree with that. And if you look at the year-to-date figure, it is a positive 190, hundred and, almost 300 million, that is the year-to-date effect on that line. So, yeah, it is challenging in terms of assessing that one, because as I was explaining you, it is affected by many factors, time value and things like that. But to tell you the truth, I mean, the effect about that one, the positive thing about that one, is that it is a much more efficient way in terms of the cost of fund. It is a much efficient in terms of cost of fund, but anyway, me, as I started the conversation with your question, we are very conservative in terms of hedging.

Nicolas Riva: Thank you very much, Carlos.

Carlos Ochoa: Thank you.

Operator: We will take our next question from Adrian Garcia with Invesco.

Adrian Garcia: Hi Carlos, thanks for taking my question. More is more, I would like to see, to hear your thoughts on the following, if I look at the trends of the Company, I see an improvement in the asset quality, vis-à-vis a lower NPL ratio. However, an slow-down in the origination and in the amount of the growth that you experience in the portfolio. So, it seems to me that you are, growing more conservatively looking at concentrating on better borrowers. But also, at the same time, the profitability of the business is decreasing, probably because your charge lower rates to these better, higher-quality clients. So, I guess it is a comment but also a question as to, how do I get comfortable of the profitability of the business improving? It is mentioned in the past that this has been the bottom, but the trend has yet to turn in terms of profitability. So, when can we expect the turn to really materialize?

Carlos Ochoa: Look, I mean, the explanation is, whatever happens to the, whatever happens to the NIM, that is going to be the way in terms of the profitability, and that is why we are so focused in terms of whatever affects the NIM. Maybe, you know, in terms of product mix, one of the important things that we are trying to do is that, you know, as long as the Central American business, which has the most, which is by far the most profitable business that we have, with the highest NIM, as long as Instacredit regains its way from the 11% that stood at this quarter. And let us say that this one, we could grow that business to become 13 or something around to 15. That is going to release a lot of pressure over the NIM, what we are seeing and what we intend to do, is leveling the growth rate, leveling the growth rate of the SMEs business because even though it helped us a lot in terms of cost of risk, it put pressure on the NIM because as you were mentioning, you are charging lower rates due to the, you know, a much better quality-class customers. But what I am trying to say is that as long and I believe that could be seen by the end of this year, is that if the net interest margin trends upward to something around the 18, or probably higher than that, either due to the cost of fund, a lower cost of fund because of all the things described before and because of product mix. I think that in terms of profitability we should be, you know, trending upwards as well, to our long term guidance in terms of ROA of about 5% and in terms of ROE, you know, trending upwards to the the 20% range or something within that. I mean in any case, you know, the bottom line of this one would be we are convinced that we we can meet our guidance for this year, you know, because of all the changes that we are making because of the the performance of the consolidated book, and because of the, you know, the discipline that we have shown in terms of expenses, if you look at the S&GA line and and so on and so forth, the Company has made a lot of efforts in terms of, you know, controlling the efficiency ratio and whatever. So, I think that the worse has passed, and, it should be positive overall in terms of the profitability of the Company.

Adrian Garcia: Thank you.

Carlos Ochoa: You are welcome.

Operator: With no questions in the queue, the question and answer session is concluded. Thank you all.

Angel Romanos: One more remark operator. Thank you again all for being in our call. And I would like to tell you that we are reigniting our repurchase program of shares. We are seeing a great opportunity at the cost of shares are trading. So, we would reignite that and, in the most strong way in the coming weeks. And our (inaudible) in the office is always interested in purchasing more stock. So, I just wanted to leave that on the call and thank you all again for being on the call.

Operator: Thank you all for being in today's conference call. Now, you may disconnect.

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