Sensient Technologies Corp.

2024 First Quarter Conference Call

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CORPORATE PARTICIPANTS

Steve Rolfs – *Senior Vice President and Chief Financial Officer*

Paul Manning – *Chairman, President, and Chief Executive Officer*

PRESENTATION

Operator
Good morning, and welcome to the Sensient Technologies Corporation 2024 First Quarter Earnings Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone, and to withdraw your question, please press star then two. Please note, this event is being recorded.

I would now like to turn the conference over to Mr. Steve Rolfs. Please go ahead, sir.

Steve Rolfs
Good morning. Welcome to Sensient's Earnings Call for the first quarter of 2024. I'm Steve Rolfs, Senior Vice President and Chief Financial Officer of Sensient Technologies Corporation. I'm joined today by Paul Manning, Sensient's Chairman, President, and Chief Executive Officer. Earlier today, we released our 2024 first quarter results. A copy of the release and our investor presentation is available on our website at sensient.com.

During our call today, we will reference certain non-GAAP financial measures which remove the impact of currency movements, the cost of the company's portfolio optimization plan, and other items as noted in the company's filings. We believe the removal of these items provides investors with additional information to evaluate the company's performance and improves the comparability of results between reporting periods. This also reflects how management reviews and evaluates the company's operations and performance.

Non-GAAP financial results should not be considered in isolation from or as a substitute for financial information calculated in accordance with GAAP. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures is available in our press release. We encourage investors to review these reconciliations in connection with the comments we make today.

I would also like to remind everyone that comments made during this call, including responses to your questions, may include forward-looking statements. Our actual results may differ materially from those that may be expressed or implied due to a wide range of factors including those set forth in our SEC filings. We urge you to read Sensient's previous SEC filings, including our 10-K and our forthcoming 10-Q, for a description of additional factors that could potentially impact our financial results. Please keep these factors in mind when you analyze our comments today.

Now, we'll hear from Paul Manning.

Paul Manning
Thank you, Steve. Good morning and good afternoon. Our first quarter results came in as expected, and now with greater visibility on the year, we are raising our full year guidance to mid single-digit local currency revenue growth and mid single-digit local currency adjusted EBITDA growth.

Sensient's local currency revenue increased by 4% in the first quarter. This revenue increases mostly volume driven with pricing contributing about 1%. The positive trends we saw in customer order patterns in January continued throughout the quarter giving us much greater confidence that we will continue to grow in volume, revenue, and operating profit for the year.

We're experiencing strong new sales wins across each of our groups, and our sales pipelines remain robust. We believe the impacts of destocking are now behind us for both Flavor and Color groups. As we noted in our last call, Asia-Pacific will continue to feel the impact of destocking with certain larger multinational accounts in the second quarter. We anticipate this will be the last quarter of destocking for Asia-Pacific.

Our consolidated local currency adjusted EBITDA was up 2% for the first quarter of 2024. As mentioned during our last call, I expect operating leverage and margin improvement across our groups as our volume improves and as raw material inflation subsides. We therefore expect profit improvement compared to the prior year to significantly strengthen as the year goes on.

Now, turning to the groups. Flavors & Extracts Group had a solid first quarter, delivering 7% local currency revenue growth and 6% local currency operating profit growth. The group continues to benefit from its strong new sales win rate and its focus on sales execution and customer service. The group benefited from the particularly strong volume growth in its natural ingredient's product line.

The group continues to be impacted by elevated costs in certain agricultural ingredients and raw materials primarily in the natural ingredients product line and based largely on inventory positions in crop cycles. These elevated costs will temper our operating leverage in the first half of the year, but we are confident that the group will deliver on our full year expectations. Furthermore, based on greater visibility for the year, I now expect the group to deliver at least mid single-digit local currency revenue growth in 2024 which is an improvement from our previous guidance of low to mid single-digit local currency revenue growth.

The Color Group's local currency revenue is down in the low single digits in the first quarter. As mentioned during our last call, we anticipated the impact of destocking to continue throughout the first quarter. I'm happy to say that the headwinds of destocking for the Color Group are now behind us. We are seeing an improvement in customer order patterns, and the group is benefiting from its strong new sales wins and exceptional customer service.

I expect the volume picture will continue to improve sequentially throughout 2024. I now expect the Color Group to deliver mid single-digit local currency revenue growth in 2024 which is up from our previous guidance of low to mid single-digit local currency revenue growth.

The Asia-Pacific Group reported 4% local currency revenue growth in the first quarter. The group experienced good growth in most regions. As mentioned in prior calls, the group continues to be impacted by certain larger multinational customers which has produced some volatile swings in order patterns and results. We believe this pattern will come to an end at the end of the second quarter. Overall, the group is well positioned for growth, and I continue to expect the group to deliver mid single-digit revenue growth in 2024.

The portfolio optimization plan that we initiated in the fourth quarter of 2023 is progressing as expected. Our plan is designed to rightsize our cost base and to optimize our organizational structure with a focus on driving improved productivity in certain businesses and functions in both the Color and Flavor groups. Once fully implemented by the end of 2025, we expect that it will generate annual cost savings of approximately $8 million to $10 million. Including the cost incurred in the fourth quarter of 2023 and first quarter of 2024, we continue to expect to incur pre-tax charges of approximately $40 million of which approximately $30 million will be non-cash. To date, we have incurred approximately $30 million of portfolio optimization expenses. We are carefully managing this process to ensure we continue to meet customers' needs to minimize the disruption to the business.

We also continue to focus on strategically managing our inventory positions. We reduced our inventory by $30 million in the first quarter, and we expect continued improvement in our inventory throughout the remainder of the year. We will use our improving cash flow to reduce our debt and interest expense.

As we communicated, we expect a much-improved financial picture in 2024 including sales volume growth, local currency revenue growth, and local currency adjusted EBITDA growth. We now expect to deliver on a consolidated basis mid single-digit local currency revenue and mid single-digit local currency adjusted EBITDA growth in 2024. We previously expected low to mid single-digit local currency growth in both revenue and adjusted EBITDA. We continue to expect our local currency adjusted EPS to grow at a low to mid single-digit rate in 2024.

Overall, we have proven that our strategy supports solid growth across each of our businesses, and our product portfolio is robust. We are focused on the levers we can control to grow our business. These include our focus on sales execution, our strong customer service, and our innovative product offering. Overall, I'm very excited about our opportunities within each of our groups and remain optimistic about 2024 and the future of our business.

Now, before I turn it over to Steve, I just wanted to thank Steve for his 27 years of service to Sensient. I should note that that is a GAAP number. Steve would tell you on an adjusted basis, non-GAAP, that felt more like about 102 years. So, as you know though, Steve will be retiring at the end of June, and this is actually his last conference call. I've worked very closely with Steve for at least nine years, a little bit more than that, too, as CFO and has other financial leadership roles within the company. So, Steve, we'd like to thank you and all your hard work for Sensient. On behalf of the board and everyone here, we wish you luck in retirement. You'll have to let us know what you're doing.

So, now for the last time, Steve will provide additional details on the quarter.

Steve Rolfs
Thank you, Paul. In my comments this morning, I will be explaining the differences between our GAAP results and our adjusted results. The adjusted results for 2024 remove the cost of the portfolio optimization plan. We believe that the removal of these costs produces a more clear picture to investors of the company's performance. This also reflects how management reviews the company's operations and performance.

Sensient's operating income was $49.4 million in the first quarter of 2024 compared to $50.8 million of income in the comparable period last year. Operating income in the first quarter of 2024 includes $2.8 million which is approximately $0.06 per share of portfolio optimization costs. Excluding the cost of the portfolio optimization plan, adjusted operating income was $52.2 million in the first quarter of 2024 compared to $50.8 million in the prior year period.

The company's consolidated adjusted tax rate was 26.1% in the first quarter of 2024 compared to 24.9% in the comparable period of 2023. Local currency adjusted EBITDA was up 2.2% in the first quarter of 2024. Foreign currency translation was not material to EPS.

Cash flow from operations was $15 million in the first quarter of 2024. Capital expenditures were $11 million in the first quarter of 2024. We expect our capital expenditures to be around $65 million for the year. Our net debt to credit adjusted EBITDA is 2.6. Overall, our balance sheet remains well-positioned for future investments.

Regarding our 2024 guidance, we now expect our 2024 local currency revenue and local currency adjusted EBITDA to be up mid single digits in 2024. This is an increase from our previous guidance which

had called for a low to mid single-digit growth rate in 2024 for both local currency revenue and local currency adjusted EBITDA growth. We still expect our interest expense to increase this year compared to our 2023 full year interest expense, and we continue to expect our 2024 full year adjusted tax rate to be in the range of 24% to 25%. As a result, we continue to expect our local currency adjusted EPS to be up low to mid single digits in 2024.

In considering our GAAP earnings per share in 2024, we continue to expect approximately $0.15 of portfolio optimization costs. We continue to expect our GAAP EPS in 2024 to be between $2.80 and $2.90 compared to our 2023 GAAP EPS of $2.21.

To reiterate Paul's comments, he mentioned the elevated agricultural costs impacting our Flavors & Extracts segment as well as the order patterns impacting our Asia-Pacific segment. These factors will impact the pattern of sequential quarterly results, but we are confident that each segment will deliver to our expectations for the year.

Thank you for participating in our call today. We will now open the call for questions.

QUESTIONS AND ANSWERS

Operator
Thank you. We will now begin the question-and-answer session. To ask a question, you may press star then one on your touchtone phone, and to withdraw your question, please press star then two. At this time, we'll pause momentarily to assemble our roster.

The first question will come from Ghansham Panjabi with Baird. Please go ahead.

Matt Krueger
Good morning, Paul. Good morning, Steve. This is actually Matt Krueger sitting in for Ghansham. Steve, I'm not going to try to match Paul's gymnast level send-off there, but congratulations on your pending retirement.

Steve Rolfs
Thanks

Matt Krueger
I just wanted to touch on operating leverage flow-through for the Flavors & Extracts segment here a little bit. Just trying to dig into why it wasn't more significant given the strong volume growth compared to expectations. I know you mentioned higher agricultural and raw material costs, but can you talk in a little more detail about what those were? How big was that headwind on a year-over-year basis, and how would you expect that to progress moving forward? What does that headwind for the year look like?

Paul Manning
Okay. So, Matt, I'll kind of give you an overview for each of the groups, but let's start with Flavors to go directly to your question. So, yes, Flavors had 6%, 7% revenue growth. Most of that was volume. As we noted, it was only very moderate, say 1% price. So, therefore, there was a big volume move. A lot of that volume, the majority of that volume was SNI, but there was volume in other pockets around the balance of the Flavor group, but principally it was an SNI story. So, they had an absolutely spectacular revenue quarter in SNI. Lots of new wins, lots of good activity there in principally savory related foods. The comparison for SNI was not as difficult, so certainly that had some benefit to us as well.

Now, where the leverage kind of comes into play here, so for 6% to 7% revenue, you'd sort of start to see something a little bit better than mid single on profit, and you will as we get into the latter part of the year, but in the context of Q1, a lot of that selling was on these crops that had been grown in a previous crop year. All those things we heard about with energy and water and fertilizers and agriculture and land and labor, all those things were built into that crop, and so that's the one we're selling right now.

Now, the good news is the next crop comes in later this year, and the cost situation on that is much improved. We won't know precisely how much, but the trends are quite positive because last crop one was probably among the most expensive we've ever seen period, and so, I would tell you that that was largely the story on operating leverage in the Flavor group.

As we kind of go into Q2, you'll see a little bit more of that. You'll see very nice revenue growth. Again, I'm feeling confident about that, but you won't quite see that operating leverage in Flavors yet. You'll start to see the operating leverage in Flavors in the back half of the year as the traditional Flavors continue to accelerate and as we start selling the new crop at the lower cost position. So, yes, when you draw it up, volume growth should generate operating profit leverage, and it will for the year, but in any one quarter we could be contending with the more expensive inventory.

Going over to the Color group, I had kind of mentioned on the last call that given how much—you hold inventory, so there's generally a lag between when you start seeing operating leverage from your volume growth, and that tends to be about a quarter to two quarters depending on the business unit here. You see Colors was down in Q1, low single-digit revenue, low single-digit profit. That's actually a positive sign because we had been, as you saw in 2023 for that low single-digit revenue, even minus mid single-digit revenue, we were seeing well into the minus double digits on operating profit.

So, you're seeing the inflection point now in Q1. Therefore, as we get into say Q2 and beyond for the Color group, I think you'll start to see that leverage very, very nicely play out in the Color group. I think you'll be very, very happy with how that progresses. It'll progress a bit faster than Color, but that's principally just based on this inventory component associated with those agricultural products.

So, I think big picture, as the year kind of normalizes and it is normalizing, you're going to start to see that more traditional mid single-digit revenue leading to high single-digit EBITDA growth, and we're very, very confident that we'll be at that type of pace as the year moves on here.

Matt Krueger
Great. That's very helpful, and then just switching over to natural ingredients, specifically that growth has ramped significantly higher to start the year and really has since the middle of last year. Can you talk about what's driving this pickup in growth and how sustainable that growth rate is for 2024 in the segment? Were there any specific conversions or legislative changes that are benefiting the naturals portfolio to drive that pickup in growth?

Paul Manning
Nothing on the regulatory side. This is a business where when you have the crop, you can sell it, and so we made comments over the last year or two that we want to continue to invest in that inventory because there is no substitute on the market. When you have it, you can sell it, and then when you can sell it, you can have an outsized quarter like the one we did.

I think number one, we had a very good inventory position. Number two, we had a very aggressive sales effort. We have new leadership in that business, and they're doing exceedingly well on the sales side. So, that's another factor. I would tell you, as I mentioned earlier, they had a little bit of an easier comp that explains maybe a portion of that for sure in the business, but I think ultimately that rate will normalize

as the year goes on. I would see that as more of a one-off rather than a sustained trend in that business, and so we would still expect them to have very solid growth for the year, the kind of growth we saw in Q1. Think of that as more of a statistical anomaly rather than a rather new steady state.

Matt Krueger
Got it. That makes a lot of sense. That's really helpful. I'll turn it over.

Paul Manning
Okay. Thanks, Matt.

Operator
The next question will come from Nicola Tang with BNP Exane. Please go ahead.

Nicola Tang
Hi, everyone.

Paul Manning
Hi, Nicola.

Nicola Tang
Hi, and I sort of echo my congratulations and best wishes to Steve as well. On the guidance on the EPS side, I was wondering if you could explain a little bit or clarify what your expectations are in terms of interest cost? Do you still expect this plus $3 million year-on-year that you talked about previously? Just trying to understand why there's limited sort of drop-through on your EPS guide relative to the upgrade at an EBITDA level? Maybe I'll put this as the first one.

Steve Rolfs
Sure. So, on the EPS guidance, you hit it on the head. It's really the interest expense, and then we'll have a slightly higher tax rate this year as well, and that's the only reason why that guide was not increased. Last quarter, we did say about $3 million more on interest expenses, and when you look at the interest rate environment, there seems to be less appetite for interest rate cuts. If that's the case, it could be a little bit elevated above the $3 million. It could be a little bit more towards $4 million is the way we see it, but as Paul mentioned, we have opportunities in inventory and cash flow, and so as we bring down leverage which will be our priority, we could make up for some of that in terms of the interest expense.

Nicola Tang
Got it, and then on the Flavors & Extracts side, I wanted to ask a little bit more about actually the Flavors bit. Whilst it sort of improved sequentially, it seems like you're lagging a bit some of the bigger FNS players who've reported so far. Can you help us understand the discrepancy and perhaps explain a little bit some of the dynamics of what happened in Flavors in Q1?

Paul Manning
Yes. Well, I guess, in any 91-day period, any number of things could happen across a segment or a customer group or that customer's inventory position or launch. So, I wouldn't take too much away from 91 days. I think as you look at the year for us, we do expect mid single-digit growth, most of that being volume. As you reflect back on the last number of years, I think you could see that the volume growth in Sensient was quite robust, and so I think again, it's one quarter, not indicative of anything in my opinion. We continue to do exceedingly well on the new win front, and in fact, new wins continue to be quite robust in the first quarter. So, I think it's just really more of a timing thing than anything else.

Nicola Tang
Alright. Then, on the input cost side, you mentioned, or you sort of talked in the release about higher inputs, and I was wondering whether there's been any change in terms of your outlook on input costs for this year versus how you were thinking a couple of months ago. Perhaps you could talk a little bit about what you're seeing, and you talked about I think low single-digit pricing. Do you think this will be enough to sort of cover input cost inflation this year?

Paul Manning
Yes. So, let me start off, and then I'll let Steve add what he would like too there. I think the general picture on input costs is they're moving in the direction that's more favorable to us and our profit. As you then liquidate your inventory, you start to enjoy that benefit to your operating profit. So, I think the general state of affairs is things remain elevated in many categories. They're not rising. There are a couple of exceptions, but there's always a couple of exceptions in any given year, but I think the big picture is stable, declining in some. I think we'll start to see those benefits continue through the P&L.

I did mention that the one big one on the agricultural side, that improvement we anticipate in the back half of the year, for sure, because that's driving a lot of the leverage impact in Flavors, but I think, yes, the overall story is that our price should capture what we need to capture here and continue to help our customers to promote their own businesses. So, yes, I think that we feel good about the pricing that we got.

So, Steve, I don't know if you want to add anything to the mix there?

Steve Rolfs
I would just say that there's not been any big change in our outlook or expectations. As Paul said, we're seeing an improving picture across a lot of the spend. The one thing that we've mentioned a couple of times now is just when you're dealing with these agricultural products, there can be a lag, and so that's the only thing I would add, but I think in general, the picture is improving.

Nicola Tang
Alright. Thanks so much.

Paul Manning
Okay. Thank you.

Operator
Again, if you have a question, please press star then one. Our next question will come from David Green with Boldhaven. Please go ahead.

David Green
Hi, everyone.

Paul Manning
Hi, David.

Steve Rolfs
Hi, David.

David Green
Congratulations, Stephen.

Steve Rolfs
Thank you.

David Green
I guess just a question around margins. You talked about an expectation for an ongoing sequential improvement in volume, and just to sort of qualify that, I'm assuming that also means by definition, we should expect improving sequential performance in margins as well.

Paul Manning
Yes. I think that's right. I think the year plays out as I described earlier. I think you would start to see that in Color a bit sooner than Flavors, but in Flavors, you would see that as well. We're optimistic that Colors will begin to knock back on the door at 20%. We're quite close here in Q1, but Asia will remain very, very profitable, and of course, Flavors has the most uplift opportunity. So, yes, is the short answer to your question.

David Green
Right. Many thanks, and then just sort of wanted to ask specifically on win rates, and obviously you've talked about sort of very high levels. Are there any specific areas where it's been particularly strong?

Paul Manning
Well, we have a pretty broad-based portfolio, so we generally enjoy success in a lot of different areas. I would tell you that the win rates have grown very nicely in personal care. This is a market that was hit particularly hard during COVID, particularly our business, which was one of strong focus on makeup. So, we're seeing a lot of nice wins there, and we're seeing an improvement in the win rates in those businesses on the personal care side.

We continue to enjoy very nice win rates in our Natural Color business. We are the largest food color company in the world, and so we continue to have very strong and very good access to those types of customers who are converting, and so that's backed up by a very, very strong innovation program that is a very technically-driven conversion program.

Then, of course in Flavors, we enjoy very, very good win rates across a lot of the local and regionals, and I think as we continue to expand and raise our specter in the market, we continue to have improved access to some of the larger accounts as well.

Segment-wise, you look at the launch activity in Q1 around the world. This is an interesting question that folks are sort of looking at like, hey, what's going to happen here because there's a lot of macroeconomic factors, and what's going to happen in the market? I think we've seen a little bit of a mixed bag. Overall, launches were down globally in Q1, so what our customers would be launching.

Most notably in certain segments like frozen desserts and the like, you can see quite a reduction there, but I would tell you that the wins that we're seeing are pretty broad-based, and a lot of the difference is whether or not it's to a multinational, to a local or regional, to a branded or a generic. The generic market is actually—we talk about volume being flat in North America and Europe, but generic volume is actually up, and it's up pretty decently at least in North America. For example, Q1 they were up almost 3.5% on volume were generic brands whereas the branded guys were down 1% or 2% in terms of volume.

So, yes, our wins tend to be in, again, a lot of places, but I would say that certainly SNI had a lot of wins in the savory foods areas, dressings and dips and sauces and things of that nature. We saw a lot of good activity in beverage. We saw a lot of good activity in natural colors for baked goods. So, pretty broad-based. I don't think there's any one particular category that's outpacing other categories right now,

although, I would tell you frozen desserts is perhaps a little bit slow at the moment from a launch activity standpoint, and so we would largely mirror what you're seeing in the market from that standpoint.

David Green
Right, and I can't quite remember in terms of thinking about sort of margin and mix within the specific segments. Could you just remind me within Color, specifically, the margins in personal care sort of broadly speaking versus the margins in food and pharma?

Steve Rolfs
In that segment, the margins are in a fairly narrow band. I would say we earned similar margins across a lot of the different product lines there.

David Green
Then, obviously, natural ingredients higher margin than Flavors & Extracts?

Paul Manning
That depends on the crop year. In this case, it's a bit lower, but ordinarily, long-term, yes, it would be probably right around the average EBITDA margin for the group.

David Green
Then I guess just a sort of final question about cash flow which improved this quarter, I guess sort of referencing back to your expectations for improving volume and margins. Is there any reason why that doesn't drop through to better cash as well on a sequential basis?

Steve Rolfs
No, I think we expect good cash flow this year. We expect continued improvement. We were up in the first quarter. First quarter traditionally is not the strongest quarter anyway, but we do expect continued improvement, and if we see costs improve, which we expect, that will be additive to cash flow as well because we'll be spending less on the new inventory. Then, finally, our capital expenditures are going to be lower this year. So, we should have good free cash flow this year.

Paul Manning
Yes, Dave, I think I've mentioned this before. We're still fat on inventory, so we have more work to do there. Q1 there was a nice movement, about $30 million of reduction, so I'm not going to predict to you precisely how much inventory comes out in Q2, Q3, and Q4, but there should be an ongoing trend of lowering our inventory levels, which well, very, very strong source of cash for the year we expect.

David Green
Right. Many thanks.

Paul Manning
Okay, thanks, David.

Operator
Your next question will come from Joan Lim with BNP Paribas Exane. Please go ahead.

Joan Lim
Hello. Just one question from me. Have you seen any changes in your competitive landscape for Colors because one of your peers was actually talking about the importance of Colors at their Investor Day? So, I'm just interested to hear if there's been any changes.

Paul Manning
Well, we have good competitors in Color, and we're very mindful of where they are, and we want to beat them. So, no, I don't think there's any particularly different trends that I would note. There's certainly a lot of activity around the world with natural color conversions, but I would put our portfolio against anybody's in the world, and in terms of the ability to make new products and innovative products, I'd put that against anybody's in the world.

Joan Lim
Okay. That's helpful. It's also a good trend, I suppose. More competition and more interest in natural colors.

Paul Manning
Yes, for sure. We see different conversion rates in different parts of the world. So, we still think outside of Europe, this is still at sort of an earlier stage of the transition. So, yes, there's a very nice long-term runway for growth there on the backs of natural color conversions, for sure. Then, of course, more notably on new products that contain natural colors.

Joan Lim
Actually, just a follow-up. What are the growth rates on natural color conversions in emerging markets?

Paul Manning
That's a good question. It's a complex question. The easy way to answer that is they're probably low to mid, maybe mid in some regions. Now when you look at natural colors, oftentimes what distorts numbers are things like caramel colors and titanium dioxide which tend to be very, very high-volume contributors to natural colors, but they're not necessarily the highest value with the world of natural colors. So, things that we sell would be substantially dwarfed by things like caramel and titanium dioxide. That's why we don't traditionally talk about our market share of natural colors because, quite frankly, there's a whole chunk of the market that I have absolutely zero interest in.

So, when you factor out those types of products, yes, you could see perhaps even a little bit of a better growth rate than that in emerging markets, Asia-Pacific specifically. Latin America, the growth rates are, as we see it, not as strong as you would see in certain parts of Asia-Pacific or Africa, for that matter, and the Middle East. So, I think as you look over to North America and still parts of Europe, the growth rates can continue to be quite good as well.

Joan Lim
Okay. That's very helpful. Thank you.

Paul Manning
Okay. Thank you.

CONCLUSION

Operator
There are no further questions at this time. I would like to turn the conference back over to management for any closing remarks. Please go ahead.

Steve Rolfs
Okay. If there are no further questions, that will conclude our call. Thank you very much, everyone, for joining the call today.

Operator
The conference has now concluded. You may now disconnect.