PriceSmart, Inc. [PSMT]
Second-Quarter 2023 Earnings Release Call
Tuesday, April 11, 2023 12:00 PM ET

Company Participants:
Michael McCleary; Executive Vice President and Chief Financial Officer
Robert Price; Chairman of the Board and Interim Chief Executive Officer

Analysts:
Hector Maya; ScotiaBank
Jon Braatz; Kansas City Capital

Presentation

Operator: Good afternoon, everyone, and welcome to PriceSmart, Inc.'s Earnings Release Conference Call for the second quarter of fiscal year 2023, which ended on February 28, 2023.

After remarks from our company's representatives, Robert Price, Interim Chief Executive Officer, and Michael McCleary, Chief Financial Officer, you will be given an opportunity to ask questions as time permits.

As a reminder, this conference call is limited to one hour and is being recorded today, Tuesday, April 11, 2023. A digital replay will be available following the conclusion of today's conference call through April 18, 2023, by dialing 1-877-344-7529 for domestic callers or 1-412-317-0088 for international callers and by entering the replay access code 6733003.

For opening remarks, I would like to turn the call over to PriceSmart's Chief Financial Officer, Michael McCleary. Please proceed, sir.

Michael McCleary: Thank you, Operator, and welcome to the PriceSmart earnings call for the second quarter of fiscal year 2023 that ended on February 28, 2023. We will be discussing the information that we provided in our earnings press release and our 10-Q, which were both released yesterday afternoon, April 10, 2023. You can find these documents on our Investor Relations website at investors.pricesmart.com, where you can also sign up for e-mail alerts.

As a reminder, all statements made on this conference call other than statements of historical fact are forward-looking statements concerning the Company's anticipated plans, revenues and related matters. Forward-looking statements include, but are not limited to, statements containing the words expect, believe, plan, will, may, should, estimate and similar expressions. All forward-looking statements are based on current expectations and assumptions as of today, April 11, 2023. These statements are subject to risks and uncertainties that could cause actual results to differ materially, including the risks detailed in the Company's most recent annual report on Form 10-K, the quarterly report filed on Form 10-Q filed yesterday and other filings with the SEC, which are accessible on the SEC's website at www.sec.gov. These risks may be updated from time to time. The Company undertakes no obligations to update forward-looking statements made during this call.

Now I will turn the call over to Robert Price, PriceSmart's Interim Chief Executive Officer.

Robert Price: I want to begin by thanking our management team and all of our over 10,000 PriceSmart employees for their dedication and many contributions to our company's progress. Our financial results for the second quarter and first six months of fiscal 2023 have been highlighted by solid sales and earnings growth, improved inventory turns and a strong balance sheet.

Our focus continues to be on the basics: inventory flow, in-stock position, new products, expenses, sales on PriceSmart.com, improvements to our warehouse club locations, identifying opportunities for new locations and investing in efficiencies driven by improved processes and technology.

Speaking to technology, I am pleased to announce that we have engaged Wayne Sadin as a consultant to support our information technology function, reporting to our Executive Vice President and Chief of Staff. Wayne will be working with our team in identifying opportunities to continue optimizing and transforming how we deliver on our value proposition and how we leverage technology to drive business process improvement and enhance the member experience.

Since December of 2022, I have taken a more active management role, while officially taking on the Interim CEO position in early February. My takeaways from these past few months include my appreciation for the way in which our management team is taking responsibility for its various areas of responsibility. My other main takeaway is how much opportunity we continue to have to grow our business in a healthy way for the long-term benefit of our members, our employees, our shareholders and for the communities in which we do business. For me personally, I am grateful to be leading the company that does so much for so many people.

Michael McCleary: Thank you, Robert.

We had an outstanding second quarter with both total revenues and net merchandise sales exceeding $1.1 billion. Net merchandise sales increased by 10.3% after a negative 0.2% currency impact and comparable net merchandise sales increased by 8.5% after taking into account a negative 0.2% currency impact.

By segment, in Central America, where we had 27 clubs at quarter end, net merchandise sales increased 13% with a 13.1% increase in comparable net merchandise sales for that region. All of our markets in Central America had positive comparable net merchandise sales growth. Our Central America segment contributed approximately 770 basis points of positive impact to our total consolidated comparable net merchandise sales for the quarter.

In the Caribbean, where we had 14 clubs at quarter end, net merchandise sales increased 13.2% and comparable net merchandise sales increased 6.9% for that region. With the exception of Jamaica, where we opened a new club last year, all of our markets in this segment had positive comparable net merchandise sales growth. Our Caribbean region contributed approximately 200 basis points of positive impact to total consolidated comparable net merchandise sales for the quarter.

In Colombia, where we had 9 clubs open at quarter end, net merchandise sales decreased 10.8% and comparable net merchandise sales decreased 10.6% for that region. The decrease in Colombia during the quarter was primarily due to the significant foreign currency devaluation that negatively impacted net merchandise sales by 18.1% and comparable net merchandise sales by 18.2% The comparable net merchandise sales decrease in Colombia, driven by the significant devaluation of the Colombia peso, contributed approximately 120 basis points of negative impact to total consolidated comparable net merchandise sales for the quarter.

In terms of merchandise categories, when comparing our second-quarter sales to the same period in the prior year, our foods category grew approximately 11%. Our nonfoods category remained the same and our Other business category grew 10%, primarily from our food service and bakery departments

Membership accounts grew 3.2% versus the prior year to 1.77 million accounts. We continue with strong 12-month renewal rates of 88% and our membership income was $16.2 million, an increase of 7.3% over the same period last year.

Total gross margin for the second quarter of fiscal year 2023 as a percentage of net merchandise sales increased 40 basis points to 16% versus 15.6% in the second quarter of fiscal year 2022. In dollar terms, total gross margin increased $20.3 million, or approximately 12.8%, versus the same quarter of the prior fiscal year. The 40-basis-point increase was primarily from margin rate and penetration improvement from our Other business categories, such as food service and bakery, as well as general improvement across various categories that were [affecting] margin.

Total revenue margins increased 30 basis points to 17.3% of total revenue when compared to the same period last year, primarily due to the increase in total gross margins. Going forward we expect margin compression compared to our approximately 16% total gross margin rate in the first two quarters. This expected margin compression results from several actions we undertook during Q2. First, we have eliminated our COVID premium in all markets and significantly reduced our foreign currency exchange premium in Trinidad, due to improved US dollar liquidity. Second, we expect margins to decrease in Colombia, as beginning late in the second quarter of fiscal year 2023 we have begun strategically holding pricing steady on certain commodity and high-volume items in our US foods and fresh categories imported through Colombia instead of increasing the prices to reflect the rising costs of these items. We see Colombia as a key market for growth and we believe this strategy, possibly combined with other actions, will enable us to provide value for our members during a particularly difficult economic period of high inflation and significant currency devaluation.

Inflation and foreign currency exchange fluctuations continue to be significant headwind, which we expect to continue for the foreseeable future, as the macroeconomic environment remains challenging and global economic growth tepid. Generally, inflation and higher foreign exchange costs result in higher prices, which can negatively impact demand for our merchandise. For the second-quarter of fiscal year 2023 the average price per item increased approximately 9.7%, while the average items per basket decreased approximately 3.3% compared to the same period of the prior year. Also during the quarter, our average sales ticket increased 6.2% and transactions grew 3.8% versus the same prior-year period.

We are committed to providing the best value we can to our members. We are constantly reviewing how to reduce costs and pass those efficiencies and savings on to our members. As I mentioned, we've eliminated the COVID premium and reduced the Trinidad FX premium. In addition, as freight rates have come down, we are adjusting our merchandise pricing to ensure these cost reductions are passed on to our members. For example, we saw continued relief on shipping costs during the quarter on our trans-Pacific freight rates, which averaged approximately $3,900 per container during Q2, down from $6,400 last quarter. Additionally, average transit days for inbound containers loaded with our merchandise from Asia to our Miami distribution center decreased from 51 days in the first quarter to 47 days in the second quarter of fiscal 2023.

SG&A expenses increased during the quarter by 20 basis points as a percentage of total revenue. The primary contributor to this increase was 70 basis points, or a $7.7 million charge, we took during the quarter relating to the separation of our former Chief Executive Officer, which negatively impacted EPS by $0.23. General and administrative expenses decreased to 2.8% of total revenue for the second quarter of fiscal year 2023 compared to 3.3% for the second quarter of fiscal year 2022. The 50-basis-point decrease is primarily due to two factors: first, the leveraging of general and administrative expenses when compared to increased total revenues and, second, the approximately $2.2 million, or $0.06 per diluted share, impact of compensation expense savings from the absence of compensation of our former CEO. As we previously disclosed, Robert Price has elected not to receive compensation for his role as Interim CEO. Therefore, on a go-forward basis we expect selling, general and administrative expenses will be positively impacted by approximately $2.5 million of savings each quarter during his term as Interim CEO compared to periods under our prior CEO.

Operating income for the quarter increased 11.3% from the same period last year to $53.8 million. Other expense of $5.3 million was primarily driven by $3.9 million of foreign currency losses due to revaluation of monetary assets and liabilities in several of our markets, primarily from Costa Rica, where the appreciation of the local currency had a negative impact on our US-dollar-denominated monetary assets there. In addition, we had transaction costs of $1.6 million associated with converting Trinidad dollars into available tradable currencies.

Our effective tax rate for the second quarter of fiscal 2023 came in higher than last year at 34% versus 31% a year ago, primarily as a result of the tax impact related to separation costs associated with the departure of our former CEO. On a go-forward basis we estimate an annualized effective tax rate of 32% to 33%.

Net income for the second quarter of fiscal 2023 was $31.3 million, or $1.02 per diluted share, compared to $31.5 million, or $1.03 per diluted share in the comparable prior-year period. Adjusted net income for the second quarter of fiscal year 2023 was $38.5 million, or an adjusted $1.25 per diluted share. You can find a reconciliation of our non-GAAP measurement of adjusted earnings in our earnings press release and our 10-Q, which were both released yesterday afternoon and are available on our Investor Relations website at investors.pricesmart.com.

Moving on to our strong balance sheet, we ended the quarter with cash, cash equivalents and restricted cash totaling $280.6 million. From a cash flow perspective, net cash provided by operating activities totaled $116.7 million for the six months ended February 28, 2023, and net cash used in operating activities totaled $7.9 million for the same prior-year period. Shifts in working capital generated some changes in our merchandise inventory and accounts payable positions for the six months ended February 28, 2023 contributed $103.1 million of cash flow compared to the same prior-year period. Average inventory per club decreased by approximately $0.6 million, or 6%, and inventory days on hand decreased by approximately 6 days, or 12%, for the second quarter of fiscal year 2023 versus the same period in 2022.

Net cash used in investing activities increased by $65.5 million for the six months ended February 28, 2003 compared to the prior year, primarily as a result of shifts in our use of short-term investments. Net cash used by financing activities during the six months ended February 28, 2023 increased by $20.9 million, primarily as the result of a net decrease of proceeds from short-term borrowings compared to the same six-months period a year ago.

Turning now to our growth drivers, starting with real estate, we currently have, or will soon have, 4 warehouse clubs under construction or in preparation for opening. In May we expect to open our third club in El Salvador in the city of San Miguel. An interesting feature of this club is that it will be the first smaller square-footage club that we are opening with a redesigned layout, which enables us to accommodate similar numbers of selling pallet positions as our larger clubs. In addition, we are proceeding with the construction of a warehouse club in the affluent El Poblado area of Medellin, Colombia. We expect to open this warehouse club, which will be our second club in Medellin and the Company's 10th warehouse club in Colombia, later this year.

We recently completed a lease for land and have plans to open our 6th warehouse club in Guatemala, located in the city of Esquintla, approximately 40 miles south of our nearest club in the capital of Guatemala City. This club will be built on a 5-acre property and is anticipated to open in the fall of 2023. We have also purchased land and plan to open our 4th warehouse club in El Salvador located in the City of Santa Ana, approximately 40 miles west from the nearest club in the capital of San Salvador. This club will also be built on a 5-acre property and is anticipated to open in early 2024. Once these 4 new clubs are open, we'll be operating 54 warehouse clubs and we are actively exploring additional locations as well. Finally, we are currently remodeling and expanding one of our clubs in San Salvador, El Salvador.

Our real estate strategy also focuses on the important role of our distribution facilities for optimizing efficiencies and reducing supply chain risk. We continue to actively seek new distribution center locations in several of our markets to facilitate the frequency and flow of merchandise, maximize selling space in the clubs and create alternatives for e-comm order fulfillment.

Turning now to membership value, our private label Member's Selection products are a great example of how we are increasing the value of our membership. For instance, especially in these times of high inflation, these products provide a high-quality alternative for our members feeling the pressure of rising costs. During the first six months of fiscal year 2023, our private label sales represented 25.9% of our total merchandise sales. That's up 240 basis points from 23.5% in the comparable period of fiscal year 2022.

Our wellness offerings, which include optical, audiology and pharmacy, continue to be a focus of how we enhance our membership value. We currently have 47 locations with optical centers and expect to have 51 open by the end of the fiscal year. Our optical program provides 4 free eye exams with every membership and we performed almost 33,000 eye exams during the quarter. Optical is also an important social responsibility contributor to our local communities. Through our partnership with Price Philanthropies Aprender y Crecer program, we have provided approximately 22,000 screenings, 4,800 exams and 3,500 eyeglasses to local school children. In addition, since the program's inception in 2006, Aprender y Crecer has donated more than 1 million school-supply packages and 1.8 million books to students, along with 282,000 books to school libraries. We are proud of our association with this program.

We currently have pharmacy in all 8 of our warehouse clubs in Costa Rica and have opened pharmacies in 2 warehouse clubs in Panama. With respect to audiology centers, at the end of February 2023, we operated 14 and we expect to open an additional 16 centers in fiscal 2023.

Our third growth driver is our omnichannel shopping options for our members, which reflects all sales in our digital channels, both in our app and on our desktop website. We currently utilize PriceSmart.com, our app and other third-party last-mile delivery services to drive online sales. During the second quarter, total PriceSmart.com sales increased 25% versus the same period in the prior year and represented 4.4% of total merchandise sales, a record for the Company. Total orders increased 16.4% and the average transaction value increased 15.3% versus the prior-year period. As of February 28, 2023, approximately 56.7% of our members had created an online profile with PriceSmart.com and 14.3% of our total membership base has made a purchase on PriceSmart.com. We believe that there are significant growth opportunities in our digital channel and we will continue to invest in this part of our business to provide an enhanced omnichannel experience and additional value to our members.

It is also encouraging that 9.1% of our membership accounts are enrolled in our auto-renewal option, which is up 160 basis points from 7.5% in the comparable prior-year period. This renewal option allows for a component of our income to become more reliable and more predictable, which is obviously something that is of great benefit in a climate where we're facing a lot of unpredictable variables that impact our sales.

Environmental and social responsibility continues to be an important component of how we approach our business and a primary focus of those efforts is the Company's actions and practices that aim to responsibly use natural resources and improve social wellbeing. For instance, we continue to work with the Global Food Banking Network where the Company donates non-sellable but safe-to-consume merchandise to participating food banks. We currently have programs in place in Guatemala, Costa Rica and Panama that our fully operational, with the intention to begin in El Salvador, Colombia and Nicaragua over the next few quarters. We are also looking for appropriate food bank operations in the Caribbean. You can find more information about PriceSmart's philanthropic and corporate social responsibility efforts on PriceSmart.org.

In regards to social wellbeing, we are proud to announce that PriceSmart has been certified as a Most Loved Workplace. The Most Loved Workplace certification is recognized worldwide by employees and employers and is a global benchmark for identifying and recognizing exceptional employee experience. We are thrilled that our employees have agreed that we deserve this designation and there is no way we could achieve it without all of their hard work, dedication and positivity. Our vibrant culture is built on the pillars of the ingrained core values and culture that we follow.

Similarly, we are very excited that PriceSmart Colombia has been recognized as one of the Best Workplaces in 2023. This recognition has been given to us by Computrabajo, which has ranked us as the second best company to work for in Colombia within the retail sector. We want to congratulate PriceSmart Colombia for being part of this ranking for two consecutive years. This recognition reaffirms our commitment to our People First philosophy and highlights the extraordinary leaders we have in country who offer our people a great employee experience and position our company as one of the best places to work.

Looking forward into Q3, our comparable net merchandise sales through the 4 weeks ended April 2, 2023 were up 6.1%, which includes a positive currency impact of 0.5%. We do not currently expect to repeat the significant margin compression we had in Q3 and Q4 last year due to merchandise markdowns. However, as I described earlier, we do expect some margin compression compared to our first two quarters due to the elimination of our COVID premium, reduction of our Trinidad FX premium and strategic pricing decisions in Colombia. Finally, we do expect that this margin compression will be partially offset by the lack of CEO compensation during Robert Price's term as Interim CEO.

In closing, we remain committed to the original philosophy of our founders and the Six Rights of Merchandising, while doing our best to be innovative and nimble, to take on challenges and deliver the best value to our members. We are proud of another successful quarter and the team members who make it all possible.

Thank you for joining our call today. I will now turn the call over to the Operator to take your questions. Operator, you may now start taking our callers' questions.

Questions & Answers

Operator: Thank you very much. [Operator Instructions] Today's first question comes from Hector Maya with ScotiaBank.

Hector Maya: Thank you very much for the call. I did have a couple of questions. The first one, if you could please give us more details on the magnitude of the margin pressure that we could expect during the second half of the year and some initiatives that you could be implementing in Colombia to offset the headwinds from high inflation and FX weakness? And then I'll come back with a follow-up.

Robert Price: Yes. This is Robert Price. And I don't know that we are comfortable giving you the specific numbers. I would say, though, that something to understand about the margin approach in the club business, and I was taught this by my father, even back to FedMart days, is that you have to price the merchandise as if you're buying it right. And one of the challenges we have in Colombia -- this really relates to the imports, where we're struggling, because the imports are most impacted by the currency and also because imports give us the greatest differentiation with competitors. We have very sophisticated competitors in Colombia -- is the fact that because we have not been generating the volume on the imports, we haven't been landing them at the prices that I think we could land them at if we had the volume. So part of the approach in terms of becoming more competitive on the imports is to increase the volume so that the buying can improve, the distribution and freight can improve and that we continue to differentiate ourselves from competitors and strengthen our market position for the long haul.

And, in particular, when we talk about opening the new location in Medellin, which is a very, very important location for us, we want to be well ahead in terms of how we're pricing imports so that we can get the maximum benefits in sales from the new location in Medellin. But I don't think it would be prudent for us to give you specific numbers on what that margin change could look like.

Hector Maya: Understand. Thank you very much for that. Makes sense. So talking about the new store in Medellin and going back to the growth algorithm from new stores, we saw that your plans for El Salvador imply that there will be 2 new stores in the next 12 months. And I mean could you tell [us] what has changed there to accelerate openings and what other markets could also see an acceleration in new stores? And also, if there is a smaller store format, is that idea something that we could be expecting as a new trend in the short term?

Robert Price: Okay. Why don't you take them one at a time. You threw a lot in there. Can you go back and start with the first question?

Hector Maya: Yes. Sorry for that. So talking about the new store in Medellin, I'm wondering if looking at, for example, El Salvador, there will be 2 new stores in the next 12 months. So just want to understand what has changed in El Salvador particularly to accelerate the openings. Because I understand that you had just 2 stores in El Salvador since 2000, since the year 2000. So just want to understand why the acceleration in that particular market?

Robert Price: Okay. You're talking specifically about El Salvador. We've done well in El Salvador in terms of the 2 locations we have. And I think as were more thoughtful thinking about cities outside of San Salvador we recognize that there are these 2 cities that are pretty sizeable cities that also receive a lot of remittances from the United States. And we believe that we probably have been a little tardy in opening in those 2 cities. So I think it's really a recognition that there's more opportunity in El Salvador than what we have up to now taken advantage of.

Hector Maya: Yes. I mean, and that's great. So that's why I also am wondering if you could also believe that you could have other opportunities like in El Salvador, but in other countries, because probably we could talk about several different cities in which you could also have opportunities to open more stores. Is that something that you are also thinking about?

Robert Price: We definitely are in existing markets, particularly in Central America and to some extent in the Caribbean, considering the opportunity for additional clubs. I think one thing to keep in mind is that we want to have a good return when we open any new location. And we have a very -- where our capital goes in this company is primarily to real estate and secondarily to fixtures and equipment. And so when we are thinking about expansion we've been really trying to figure out how do we leverage down the cost of these fixed capital investments in a smart way so that we can get the returns that we think our shareholders are entitled to. And I think we've made some progress in that area.

Hector Maya: All right. Are there different factors that we could be thinking of? If we do this analysis going city by city, what should be the main factors that we would need to be looking at to say, hey, probably there is a higher opportunity in this area than this other area. Just to try to understand if we can be able to see how you will be expanding in the future, considering that you have . . .

Robert Price: Well, look . . .

Hector Maya: . . . this new [wish].

Robert Price: Yes. I don't think we're going to give you specifics like that. We're constantly evaluating our markets to the extent that we are better merchants and are generating more sales in existing clubs within certain markets. That then can lead to additional locations because of the fact that we have created sufficient volume to warrant the investment in additional locations. But that's a market-by-market analysis. And the other thing to keep in mind is that all of this has to be paired with the distribution centers, because the distribution centers give us the ability to leverage down our fixed costs in these club locations and also hopefully to get better terms on our inventory, which reduces our working capital requirements.

Hector Maya: All right. But, I mean, in the end, should we still think about 2 new stores per year as it's been happening over the last decade? Or maybe we could be looking at a higher number than two stores per year from now on?

Robert Price: Well, I'm not going to respond to that. We're going to be prudent in how we do things and we're going to monitor the situation as we go. And we'll do the best we can. I think we're trying to be very responsible managers of this business and we're somewhat -- we're going to be prudent.

Hector Maya: Great. Excellent. Thank you very much, Mr. Price, for all of your answers. Very clear. Thank you.

Operator: [Operator Instructions] Our next question will come from Jon Braatz with Kansas City Capital.

Jon Braatz: Good morning, Robert, Michael. On the last conference call you mentioned that you noted that December comps were up 10%. And I guess if you do the arithmetic that means January and February comps were about 7%. And you mentioned that March was 6%. Obviously, we hear a little bit of this sort of negative news here domestically on some of the retailers having a little bit tougher time. What can you tell me about sort of the macro environment? And is the sales trend weakening a little bit because it's just a little bit tougher out there?

Robert Price: Oh, boy, that's -- I think that we're not immune to the macro factors that affect probably the whole hemisphere in terms of the interest rates, inflation, the things that you're well aware of. And that's certainly a factor for us. So I just don't know exactly how to respond to that question, because some of it is external to what we can control and other parts of it I think hopefully we can do a better job in the way we price and merchandise.

And particularly, one thing I was going to mention earlier when Hector asked his question and I'll mention this to you. I think something that's underappreciated about our company is impact that we have through our business-to-business sales on small businesses in many of our markets. We are a very important factor to helping small businesses get started and sustain in terms of purchasing. Because many of these markets are underserved when it comes to the distribution aspect [of] their economies. And that's an area that I think we haven't -- we have, wonderfully, a man that's helping us here in the Company develop that area, along with our merchandising people. And I think we have a great opportunity even -- not withstanding the fact that it is a tougher economy, economic environment, I think we have a lot of opportunity on our business side to do a lot more. And I think that area, because it's mainly consumables, it's not as impacted by some of the other factors that might affect the non-foods area.

Jon Braatz: Okay. Thank you. And two follow-up questions. Robert, if you could maybe comment on -- any comment on the new CEO search?

And, Michael, obviously in the first half of the year and this quarter in particular, cash flow was fantastic. How do you see working capital investment in the second half of the year? Obviously you've got some new stores coming on stream. But how do you see that level of working capital needs in the second half?

Robert Price: Michael, do you want to take that?

Michael McCleary: The CEO transition or the working capital?

Robert Price: Oh, no, the working capital. I don't know what the question was about the CEO, but he mentioned specifically a question about working capital.

Michael McCleary: I'll take working capital first and you go [after]. So yes, Jon, I think you can see, I mean, we need to highlight Q3 and Q4 last year, right? As we were coming out of Q2 last year we were at a significantly higher inventory level. And that's what resulted in the Q3 and Q4 markdowns that we took. I think we've highlighted that from a margin perspective we don't expect to repeat that, although we have the other competing pressures in places like Colombia. But as far as working capital goes, we're much tighter. We're much leaner. We're keeping an eye on things. We want to make sure we don't overdo it and end up with out-of-stocks on important key commodities and things like that. So that's always a balancing act. But, yes, I think what you're seeing is a big turnaround effect year on year versus where we were going into Q3 and Q4 last year versus [bringing] that back for this Q2.

Jon Braatz: Thank you.

Michael McCleary: [Now, to] Q4, as usual, we'll be ramping up for our upcoming holiday period. But I think those are the big messages.

Jon Braatz: Okay. Thank you, Mike. Anything on the new CEO search?

Robert Price: Well, nothing to report. We've still got the old CEO, or Interim CEO. So I don't think we have anything new to report. That's really something that we will continually monitor with our Board, who's I guess my boss.

Jon Braatz: All right. Thank you.

Operator: This concludes our question-and-answer session. I would now like to turn the call back to management for any closing remarks.

Michael McCleary: Okay. Thank you, everybody. That's the end of our conference call today and thank you very much for joining us. Take care. Bye.

Operator: The call has now concluded. Thank you for attending today's presentation. You may now disconnect.