

Lionsgate Entertainment Corp.

Fiscal 2019 Second Quarter Earnings Call

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CORPORATE PARTICIPANTS

Jon Feltheimer - *Chief Executive Officer*

Jimmy Barge - *Chief Financial Officer*

Chris Albrecht – *President & CEO Starz*

Joe Drake – *Chairman, Motion Picture Group*

Kevin Beggs – *Chairman, Television Group*

James Marsh – *SVP & Head of Investor Relations*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Lionsgate Fiscal 2019 Second Quarter Earnings Call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session. Instructions will be given at that time. If you should require assistance during the call, please press "*" then "0." And as a reminder, this conference is being recorded.

I would now like to turn the conference over to our host James Marsh, Head of Investor Relations. Please go ahead sir.

James Marsh

Great, thanks Tanya, and good afternoon everyone. Thanks for joining us today for the Lionsgate Fiscal 2019 second quarter conference call. We'll begin with opening remarks from our CEO, Jon Feltheimer followed by remarks from our CFO, Jimmy Barge. After their remarks we'll open the call up for questions.

Also joining us on the call today are Vice Chairman, Michael Burns, Starz' President and COO, Chris Albrecht, Starz' COO, Jeff Hirsch, Starz' CFO, Scott Macdonald, Lionsgate COO, Brian Goldsmith, Chairman of the Motion Picture Group, Joe Drake, and Chairman of the TV Group, Kevin Beggs, COO of the TV Group, Laura Kennedy, and Chief Accounting Officer, Rick Prell.

The matters discussed on this call include forward-looking statements, including those regarding the performance of future fiscal years. Such statements are subject to a number of risks and uncertainties. Actual results could materially differ and adversely from those described in the forward-looking statements as a result of various factors, including the risk factors set forth in Lionsgate's most recent Annual Report and Form 10-K as amended in Lionsgate's most recent quarterly report on Form 10-Q filed with the SEC. The company undertakes no obligation to publicly release the results of any revisions to these forward looking statements that may be made to reflect any future events or circumstances.

With that, I'll turn the call over to Jon.

Jon Feltheimer

Thank you, James, and thank you all for joining us this afternoon.

We just reported a strong quarter with robust free cash flow and record growth at Starz.

During the quarter Starz continued to build on its strengths as a modern, data-driven premium streaming platform, well differentiated from our competitors and positioned to become an integral part of the bundles and packages emerging throughout our ecosystem.

Driven by a sequential quarterly increase of 1.3 million domestic subs, growth of over the top subs to well over 3 million and an increase in MVPD subs for the second straight quarter, Starz achieved its best revenue growth in more than 10 years.

These results reflect everything we've been learning from our data initiatives about how to reach, engage and retain our customers as we continue to build strong and sustainable growth.

Our strategy at Starz is working. With hit series *Power*, *Outlander* and *American Gods* leading a robust slate of premium programming, unparalleled content availability, unique speed to market, and enhanced data flow enabling us to target our programming ever more efficiently to our consumers, we have all the elements in place to continue to extend our domestic footprint, execute our international expansion and drive subscriber growth worldwide.

Turning to our film business, our Motion Picture Group turned in a solid performance in the quarter as ancillaries over-performed expectations, reflecting the vibrant demand for movies from all parts of our media environment.

A Simple Favor ended the quarter on a high note, and we're very bullish about the slate of star-driven titles that Joe and his team are assembling and which will begin rolling out in theaters early next year.

Our partnership with 3 Arts Entertainment is already bearing fruit, deepening talent relationships across our Company and turbocharging our Television Group with exciting new projects. Thanks in part to its contributions, Lionsgate Television has assembled one of our strongest development slates ever.

Today, instead of drilling down on developments in each of our businesses, I thought this would be a good time to remind everyone about our mission and value proposition as a Company.

When we started in 2000, the digital transformation of our industry gave us a unique opportunity to create a modern global content company that was different from everyone else.

Along the way we've paid careful attention to changes in the marketplace, creating a vibrant television production business by supplying premium content to emerging networks, setting up operations in India and China and expanding our presence in the UK and Latin America to capitalize on local market opportunities, and bringing our valuable intellectual property to theme parks, virtual reality and other franchise extensions.

Two years ago, as the world moved toward subscription and direct-to-consumer models, we bought Starz to replace our interest in EPIX, which was underscaled and not a true strategic asset. That has turned out to be a great trade.

As I mentioned a moment ago, our domestic over the top business is doing extremely well, driven by great programming, extensive data and an expanding distribution footprint. Last month we launched to very strong numbers on the Hulu platform, and it is already joining our other virtual MVPD partners as an important contributor to our continued growth.

Outside the U.S., our initial Starz launch with Amazon Prime in six European countries and our Middle East & North Africa-leading StarzPlay Arabia venture have established a strong foundation for the expansion of our international business.

And as many of you have just read, this afternoon we announced that we will also launch on Liberty Global's cable platform Virgin Media in the UK later this month, making Starz available to their approximately 4 million video subscribers as we continue to offer a compelling value proposition to our diverse and growing portfolio of international partners.

We will announce more international territories and launch partners in the months to come. And as we continue to ever more diligently commit our substantial film, television and library resources to the growth of Starz on a global basis, we see a very clear path to outsized value creation.

Our approach internationally is simple. As we've done here in the U.S. for our more than 25 million subscribers, we plan to deliver a premium service distinguished by its breadth and depth of content, speed to market and a compelling value proposition as a complement to the basic television package in every market we enter.

And in those markets we are partnering with distributors who are eager to enhance their content offering and strengthen their value proposition with our exclusive first-run movies, premium original series for targeted audiences and deep catalog of classic titles. In a world where we expect the average consumer to end up taking multiple streaming services, we have the differentiated content offering and premium brand to be one of them.

With our annual investment in content approaching \$2 billion, our release slate of approximately 40 movies a year, our premium television production of 50-70 shows over dozens of different channels and networks, we remain one of the world's greatest content companies, and we will continue to grow our top and bottom line and refresh our nearly 17,000-title library.

But we see the greatest area of value creation going forward as the growth of Starz on a global basis, and we will continue to focus our content and talent initiatives in support of this growth. We believe that our emerging Starz global platform will, in turn, create enormously expanded opportunities and significant incremental profits for the great film and television properties that we will continue to create.

We are clear about who we are, what we do, and what we can become. We know that we can achieve success without spending the most or trying to be the biggest. And we have all the tools and the blueprint we need to execute our strategy.

We will be announcing a number of initiatives in the near future that will continue to give you visibility. We work for our shareholders and as shareholders ourselves, our mission is very clear.

Now Jimmy will take you through the quarter.

Jimmy Barge

Thanks Jon and good afternoon everyone. As we discuss the quarterly financial results, I'll also update you on our outlook and balance sheet.

For the F2Q, AOIBDA came in at \$129M on revenue of just over \$900M. Starz subs increased nicely in the quarter driving solid revenue and segment profit growth. Starz reported record growth and Motion Picture Group increased segment profits, despite tough comps related to slate rollover in the prior year. In the quarter, reported fully diluted EPS was a loss of \$0.67 per share while fully diluted Adjusted EPS was a profit of \$0.22 per share. Free cash flow came in at \$100M.

Now I'd like to cover some of the performance highlights across our businesses. If it's helpful to you, you can follow along on the updated trending schedules that have been posted to our website.

In Media Networks, segment revenue of \$377M was up 5% from the prior year quarter and was primarily driven by strong OTT subscriber growth. Segment profits of \$123M were up nearly 20%. Starz ended the quarter with 25.1M subs, which was up 1.3M sequentially, and reflects an increase in both MVPD and OTT subscribers. As Jon mentioned, this is the second quarter in a row that we increased both traditional and OTT subs. Total Domestic OTT subs at the end of the quarter came in significantly over 3M. It's important to remember that these sub numbers only include our domestic business at this stage. And as we mentioned on our year-end F18 call, we are well positioned to deliver full year-over-year growth on Starz domestic subs in F19.

In our Motion Picture segment, revenue was \$379M and segment profits were \$13M, up nearly 45% from the prior year quarter. This was largely driven by strong ancillary performance of our F18 slate, as well as lower than anticipated P&A spend.

In our TV Production segment, revenue was \$152M in the quarter and \$9M of segment profits compared to \$18M in the PY quarter which included the licensing of *Power* and *Ash vs Evil Dead*. Excluding this tough comp., TV segment profits modestly increased year over year.

Now looking ahead, we continue to feel comfortable with our guidance for a 3 year AOIBDA CAGR of mid-to-high single digits.

Now taking a look at our balance sheet, we continue to maintain leverage in the 3.5 – 4.0X range. Leverage at the end of the quarter ticked down to 3.6X and we continued to maintain significant liquidity with over \$370M of cash on the balance sheet and an undrawn revolver of \$1.5B.

I'd like to also provide an update on our dissenter liability and the related disclosure describing our settlement. As you can see in our 10Q, the dissenter liability was fully accrued as of September 30th at \$961M, which is composed of 3 parts: First, it includes the original \$800M or so of purchase price consideration not paid on the 22M dissenting Starz shares. In addition, it includes roughly \$100M of accrued interest, and an incremental \$59M to reach settlement. You will see that incremental accrual of \$59M hitting our income statement along with the \$55M net amount related to the previously announced settlement of the fiduciary claim.

As noted, we have ample capacity to fund these settlements with a combination of excess cash on the balance sheet and undrawn revolver.

Since we have increasingly unprecedented opportunities to drive long-term shareholder value by investing in Starz Global growth opportunities and we plan to fund the dissenter claim with debt, as opposed to equity, we do not expect to declare future dividends as we focus on investing capital in our dynamic growth businesses and strengthening our balance sheet similar to what we did following the Starz transaction.

Now with that, I'd like to turn the call over to James for Q&A's.

James Marsh

Thanks Jimmy. Tanya, we can open it up to questions please.

QUESTION AND ANSWER**Operator**

Ladies and gentlemen, if you wish to ask a question, please press "*" then "1" on your touchtone telephone keypad. You will hear a tone indicating that you have been placed in queue. You may remove yourself from that queue at any time by pressing the £ key. If you are using a speakerphone, please pick up your handset before pressing the numbers. Once again if you have a question, please press "*" then "1" at this time.

We will go to the line of Amy Yong with Macquarie Research. Please go ahead.

Amy Yong

Hi, good afternoon and congrats on the quarter. I guess maybe two questions. First on Starz and your international expansion. Maybe if you could talk about how the challenges compare domestic versus international. How you are going to actually attack the markets. I think over time you said that maybe you could actually double your subscriber base. Maybe, if you could just talk a little bit more about your strategy and I guess second, Jimmy, now that the dissenter's liability is over, you talked a lot about reinvesting into the business. Can you just talk about your priority use of cash? Are you going to put it into Starz, motion picture? How should we think about kind of the free cash flow priorities at this point? Thanks.

Chris Albrecht

Hi, Amy. It is Chris. Well, regarding Starz international expansion, we have kind of a three-pronged strategy. First thing what we call global partners which is best exemplified by what we are doing right now with Amazon outside the US. It is also what we are doing with Amazon inside the US. We think that we are going to be able to expand that relationship with Amazon. We announced Virgin Media. There are lots of other potential partners for us that have a lot invested in their own business strategy expanding around the globe and looking to sell video content on top of their platforms as well so we think we are really well positioned to be a go-to-market partner with them, to be a long-term partner with them.

At the same time, we have an opportunity like we have with the StarzPlay Arabia business to get into partnerships with people and take advantage of strategic partnerships to build businesses in territories where we see real opportunities. We are excited about the Starz Play business continues to grow, it's number one in the region and then there is the opportunity to partner with big Telco or a big media company like we are doing in Canada and that business is just in its infancy but we see a lot a possibilities for that rebranding some of their existing assets to Starz so this is very, very early days for us. We think there is tremendous potential and we think we are well positioned between what Starz does and between the Lionsgate library which gives us the opportunity to go-to-market very quickly, we think there is exciting days to come here.

Jimmy Barge

And thanks Amy, relative to your question on the free cash flow priority. Look, as you know, we have a strong free cash flow profile and that is after fully investing across the line in our core businesses so we are going to continue to support all our core business, but we are particularly excited about this opportunity for the global footprint within Starz so that will also receive, you know, fully funded and again we have strong free cash flow profile to do that.

Amy Yong

Thank you.

Operator

Thank you and next we will go to the line of Matthew Thornton with SunTrust. Please go ahead.

Matthew Thornton

Hey, this is Anthony. I am filling in for Matt. I'm just kind of following up on the international Starz question there. Is there any update on timing of additional launches, especially in France, Italy or Spain and then would you be willing to quantify where your current international subs are for Starz?

Chris Albrecht

We haven't started to quantify or report the subs. We will be updating you on that in the near future. We have announced the launches in those territories France, Spain, Italy. At the request of our launch partner, we are not announcing who that is but again information to come but there are lots of conversations that are going on and we have announced 15 territories I think in the next three years. I can tell you that without promising anything the conversations that we are having present opportunities well beyond that.

Matthew Thornton

Understood. Thanks.

Operator

Thank you. And next we'll go to the line of Aravinda Galappathige with Canaccord Genuity. Please go ahead.

James Marsh

Hey, Aravinda. How is it going?

Aravinda Galappathige

Good. How are you? Thanks for taking my question. I just wanted to get a sense as sort of the magnitude or sort of the Hulu piece of the distribution. Obviously, Amazon has been a huge driver in the past in helping you get to that 3 million OTT subs. When you look at some of these other announcements that you've followed up with how should we think of the magnitude of each of them? I mean can Hulu potentially be as big as the contribution you're getting from Amazon? And then connected to that are there any fundamental differences in the economics and the structure of these agreements?

Chris Albrecht

So Hulu is not included in this quarter that we're reporting now. We've been in business with them for I think a little over a week. The early results are promising. We look at their business and the Amazon business as complementary. Their customer base I think while certainly might cross over in some ways they're actually in different businesses. Seems like Hulu has done well with other brands that they've launched. We look forward to a good partnership with them. The economics are very good for Starz in these over-the-top wholesale relationships. And we're hopeful that there'll be even more partners announced domestically and globally.

Aravinda Galappathige

Thanks. And just a quick follow-up on sort of the obviously the very strong sub gain in the quarter. A lot of it is...I think most of it or a substantial portion of it I assume is related to the new season of *Power*. Can you just touch on sort of the retention strategy? I mean how do you avoid getting too much of a fluctuation in these numbers as these new seasons come in and out? I know that retention programming is a big part of your tactics but when you think about programming can you just talk a little bit more about your strategy to kind of make sure these upswings are maintained?

Chris Albrecht

So look in any subscription business you're going to deal with the churn factor. We are getting better at it as we get more data as we're learning more about the business. *Power* is obviously a great show for us but we've had a few weeks in between *Power* and now the launch of *Outlander* which is another hit show for us. We have the second season of *American Gods* coming up; we have returning shows like *Counterpart* and *Vida*, *Sweetbitter*, the next installment of our princess historical franchise in *Spanish Princess*, new shows like *The Rook*. This is the best and strongest lineup we've had with the most consistency in Starz as original programming history. Those are the kinds of things that are essential to be able to continue to show growth. We're not giving any guidance here but we're very hopeful and encouraged by what we're seeing by the opportunity to roll out with new partners. Someone just mentioned Hulu. And all of these things are going to go towards helping us to sustain the growth and lower the churn rate which is part of that growth number.

Aravinda Galappathige

Awesome. Thank you.

Chris Albrecht

And I should also say that in the deals we've made with Courtney Camp and Curtis "50 Cent" Jackson are largely designed to help us expand and extend the *Power* universe. There's at least three shows that we're working on now which would be directed at the *Power* fan which is still a growing universe. And we think that that will be a large and successful part of our programming strategy for years to come.

Operator

Thank you. Next, we'll go to Barton Crockett with B. Riley FBR. Please go ahead.

Barton Crockett

Okay. Great. Thanks for taking the question. So I was really interested in the sub number, which, the 1.3 million. And I was wondering if you could tell us a little bit more about how you put up so much more sub growth in this quarter than you did in the year ago quarter where I think you put up like 400,000 new subs. And you -- launching in both of those quarters so that's somewhat comparable. So what is it that worked so much better this year that you didn't have last year that helped drive that growth?

Chris Albrecht

Well, I think one thing that's happening is that as we have talked about our MVPD partners are not going to have to take their take video business easily. They have innovative with new packaging. They are focused on their video business. And we've seen a lot of slowdown in what their losses are. Obviously, there's different situations depending on the MVPD. But that business has been stronger. So on top of that, there's data capability that is like new to us like manna from heaven here for those of us that have been wholesaling through MVPD partners, and we just can't seem to get enough of it. We're really applying it at lightning speed back into

the marketplace. As I just said, we have a really strong lineup coming. We're looking at who our demographics are. We're focused on places where we think there are available customers, places where we think there's a real demand for not just the shows that we have, but for our subscription service in general, thousands of movies, great tech, great price. And all of these things Barton are just going into us getting sharper and better, more informed, more focused, more investment, but just we're just getting better.

Barton Crockett

Okay. That's helpful. Now, one other thing on kind of a separate point and maybe more for Jon, but when I look at Lionsgate, before you guys owned Starz, which is really driving the cash flow right now, there was a lot of kind of focus on the cycles of movies. And what we seem to be in right now is kind of a low ebb, I would say qualitatively in terms of certainly investor excitement about what's happening in your movie production partly reflected in the segment coming down in the transition in leadership. But, looking ahead, could you point to a time when you think you have a good shot at maybe the excitement coming back around your movie slate? When would that be and what titles would you call out as things that could be beacons of hope in the future?

Jon Feltheimer

Yes. That's a great question; I'm going to let Joe give you the excitement.

Joe Drake

Hi, Barton. Listen we've...with a really clear understanding of the market we've been making very significant changes both to the organization and to the content strategy. Well I would tell you that we're now positioned for the future. Some of the changes that we've made include taking two movies that have enormous potential and moving them to dates in early fiscal 2020 where they're better positioned to capture more value. So, what that does, that sets us up with *Madea* capping out Q4 and then launching into fiscal 2020 with *Hellboy* in April, *John Wick 3* in May, and *Flarsky* in June. We just had a phenomenal test on that movie. And we're going to...and we will be announcing a number of additional very high potential titles very soon. So, what I would say to you is that a lot of the work has been done to get us in great shape, and you'll start to see the results as you move into the New Year.

Barton Crockett

Okay. That's great. Thank you.

Operator

Thank you. And once again, if you do have a question please press "*" then "1" at this time. Next we'll go to the line of David Joyce with Evercore ISI. Please go ahead.

David Joyce

Thank you. If I could just tag on to some of the timing of temples and Starz originals to help you think this through. Do you still have *Chaos Walking* slated for March, or has that been pushed out a bit? Just want to think about the P&A and revenue impact there. And then, secondly on the Starz originals, can you quantify the number of hours of originals per quarter that you're ramping up to, is there any new seasonality in there? Just want to think about the sustainability of the demand. Thank you.

Joe Drake

On the film side *Chaos* is not in March. We've actually been waiting for our two lead starts to finish some photography with them which will happen in February. So that will be...we'll be dating that movie downstream after we complete that photography.

Jimmy Barge

And David to give you a little perspective on the cadence in the quarter relative to P&A spend et cetera since our last call, as Joe mentioned, we've moved some films, we've moved *Hellboy* into April as well as *Flarsky* into June. Of course we've got big pre-summer release in the context of *John Wick 3*, we're very excited about. We will incur, as you would guess, to your question is leading to the point that we would have some pre-release P&A spend. You should expect to be higher it will fall into this year and Q4. I would also just add with regards to Q2 as I mentioned in my comments we actually did see a lower than anticipated P&A spend, some of that was timing, a lot of it was cost containment as well. So, that will affect the cadence somewhat as we go into the second half. Chris?

Chris Albrecht

Hi David, with regard to the Starz originals, first of all, everything is included in our current plan, the plans that we've discussed with all of you. We have *Outlander* on now; we've got *Counterpart* coming back. We have *American Gods*; we have *Spanish Princess*, *Vida*, *Sweetbitter*, and *The Rook* with 15 episodes of the next season of *Power*. We're going to be announcing a couple of other shows in the very near future working on some great project with Lionsgate, *Continental*, very optimistic about that. For this year, we'll look to have pretty close to 100 episodes that include scripted and lower-cost doc series. But, I think the focus on the audiences that we're succeeding with and our ability to have this consistency in the market both from a programming and a marketing point of view are going to...the whole is greater than some of the parts as we are getting into this kind of returning series, mixed with new series and just critical mass.

David Joyce

Thank you. And one further one if I could, when you renewed your Amazon relationship earlier this year, could you help us to think about the protections in place there given some news or some industry rumor that they're seeking greater economics in the video side? How long is your... the contract with them now? Thank you.

Chris Albrecht

We have a multiyear contract. The relationship is terrific. I mean you can just see how we're not just only working and succeeding with them here in the US, but they are a very strong partner for us not just in what we're doing now but in things that we're talking about doing in the future. The only thing that I have heard about what I have read in the press is what I have read in the press, we are talking to them virtually every day, kind of relationship that you just hope to have was with a partner with a wholesale partner, it's a good deal for both sides. They are incented to grow because we all make more money together. They are the greatest retailers in the world and they are expanding around the world. And they're...we're friends and we're going to stay friends.

David Joyce

Okay. Thank you very much.

Operator

Thank you. And next we'll go to the line Steven Cahall, Royal Bank of Canada. Please go ahead.

Steven Cahall

Thanks, Maybe first on Starz OTT subs. I was wondering if you could give us any color on how those subs kind of break between direct to your app versus some of your distribution partners and if the way that that's breaking, informs your plans to expand internationally? Again do you do that sort of directly with the app or rely more on those distribution partners? And then maybe one for Kevin, I assume it was not a surprise to have the cancellation of *Orange is the New Black* after it has run its course. Maybe we can get an update on what the TV content pipeline looks like since that was I think a pretty big revenue generator for the segment.

Chris Albrecht

On the wholesale versus direct OTT subs, we don't break that out. We just announced Hulu as we said that's a wholesale relationship. We think there will be continued expansion of those kinds of partnerships. We're very focused on the direct business as well. So we're operating in the US with that dual focus.

Outside the US it's much more efficient and economical for us to launch with these big partners. It's a lot quicker to market piggybacking on the customer relationships that they already have. Whether or not we augment that with a direct-to-consumer business is something that we'll always be taking a look at but right now this global partnership strategy is opportunistic. It's unprecedented for us. We're a uniquely available, and with our content machine, a very capable partner for them and we think that there's going to be a lot of noise and reality around the kind of relationships that we can make with these partners as we look to march across the globe here.

Kevin Beggs

And on the TV side...its Kevin speaking, obviously, really proud of the long run *Orange is the New Black* has had, it remains one of Netflix's most watched shows. We're ending on a high note. Keep in mind we own that series. We'll be distributing it for the years to come. We're already in discussions and when the timing is right we'll talk further with Jenji about a potential sequel. And backfilling behind it being of three very high profile shows. One, two that Chris already mentioned *The Rook* which is in postproduction, *The Continental* based on John Wick franchise which as you know was a very successful film and gaming franchise in the company and that's kind of behind that and our show time the *King Killer* franchise. All those are either in postproduction or in the writing phase moving toward production.

And then two other kind of main priorities the most important is really more programming and hit in the Starz universe. We have about 10 projects in development behind the ones that are already kind of front loaded. And the new 3 Arts investment has really been paid off quickly. We have three shows in production with them after the close of the deal earlier this summer and about a dozen shows in development all across the TV ecosystem and broadcast cable and premium. And overall, about 61 projects right now sold which represents about three times where we were a year ago this time in terms of development. So the investment pivots toward pods and 3 Arts and with a focus on Starz is really what we're acting on and it feels like its working and we expect those big hits to come.

Steven Cahall

That's great. Thank you.

Operator

Thank you once again, if you do have questions, please press "*" then "1" at this time. And gentlemen, we have no further questions in queue. I'd like to turn it back to James Marsh for closing remarks.

CONCLUSION

James Marsh

Great. Thank you, Tanya. I just want to remind everyone to please refer to the press releases in Events tab under the Investors Relations section of the company's website, for any discussions of certain non-GAAP forward-looking measures discussed on this call. With that, we'll wrap it up. Thanks for attending. Have a good day.

Operator

Thank you. Ladies and gentlemen, this conference will be available for replay after 4:00 P.M. Pacific time today through November 15 at midnight. You may access the AT&T teleconference replay system at any time by dialing 1-800-475-6701 and entering the access code 455454. International participants may dial area code 320-365-3844. Those numbers again are 1-800-475-6701, and 320-365-3844. The access code is 455454. That does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.