Operators

Good morning. This is the conference operator. Welcome, and thank you for joining the Pernod Ricard Third Quarter 2023 Sales Conference Call and Webcast. (Operator Instructions)

At this time, I would like to turn the conference over to Ms. Florence Tresarrieu, Head of Investor Relations. Please go ahead, madam.

Florence Tresarrieu - Pernod Ricard SA - Global Senior VP of Investors Relations & Treasury

Good morning, everyone. We're very pleased to welcome you to our 9 months sales call. Hélène de Tissot, our Group CFO, will take you through the presentation of those results and then we will take your questions. Hélène, over to you.

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Thank you, Florence. Good morning, everyone. I'm pleased to report very strong broad-based growth in our first 9 months of fiscal year '23 in a normalizing environment, with a high single-digit pricing in all regions. So organic growth is at plus 8% at group level, with Asia-Rest of the World growing at plus 12%, very strong growth, led by India, Travel Retail and Turkey, offsetting China. Solid performance in Japan, in Thailand, in Korea and continued rebound in Southeast Asia.

Europe is growing at plus 6%, the value-driven growth led by Spain, Travel Retail and Germany. Americas is growing at plus 2%, with growth driven by LatAm. Our reported growth for the 9 months is at plus 13%, benefiting over the last 9 months on the positive FX impact, which is currently starting to fade with euro gaining some strength versus U.S. dollar. We have a very significant pricing impact at plus 9% across regions. Volumes are resilient, growing at plus 1%.

As already mentioned during the H1 call, the environment is normalizing, with a strong gradual recovery in China following the end of the COVID policies, its positive impact on our Travel Retail business and a normalization in the U.S. after a few years of very strong growth.
We see strong momentum behind our diversified spirit portfolio, with 6 categories driving 90% of the growth. This diversification, I must say, is the key driver of our performance. We've been consistently delivering a broad-based and diversified growth across geographies and across categories. We are leveraging the industry widers and most comprehensive premium portfolio. Those 6 categories that are driving 90% of this first 9 months growth are Scotch Whisky, Irish Whiskey, Indian Whisky, vodka, gin and as well no low drinks, mainly Lillet.

So our Strategic International Brands are growing by 7%, notably with the Scotch portfolio, Jameson and Absolut. Our Strategic Local Brands are very dynamic, growing at plus 11%, driven by growth of Seagram's Indian whiskies, Seagram's Gin and Kahlua. We have as well continued momentum in Specialty Brands, growing at 10%, notably with Lillet, that I mentioned already, but as well Aberlour, Alts, Malfy and Redbreast. Wines are at minus 2%, softness mostly from the U.K.

So moving now to our performance by geographies and starting by our 4 Must-Win markets, which are delivering a strong underlying performance. I'll start with the U.S. So U.S.A., the 9-month top line is at minus 1% due to high comparison, mainly in Q3. So spirits depletions are growing at plus 2%, which is a solid performance in a normalizing environment.

Q3 in fiscal year '23 has been impacted by the H1 phasing and as well a high comparison basis. Please remind that last year, the Q3 was growing at plus 23%. We have a strong high single-digit price effect across the portfolio this year, the solid performance of Jameson through St. Patrick's Day, and we are expecting strong sales in Q4 against a low comparison basis, along with additional price increases on some brands that are happening as we speak.

China, the 9-month performance is at minus 5% due to soft CNY and inventory adjustments. We have seen very dynamic sell-out at the end of Q3, meaning the month of March, with good post CNY season activity. We are expecting very strong sales in Q4 as consumer demand recovery is further amplified by a favorable comparison basis. Last year, Q4 was very subdued.

So strong demand, as I just mentioned, in March, but Martell sales in January and February have been impacted by soft festive season and, as well, some adverse phasing, and we did adjust our inventory in Q3. We have a continued development of the wider portfolio, including Absolut and The Glenlivet. And we've been announcing a portfolio-wide price increase that are going to be executed in May.

Global Travel Retail, the 9 months performance is at plus 33%, very strong sales recovery with a gradual resumption of Chinese travel. We are on track for profit recovery to pre-COVID levels at year-end. We've been increasing our price at a high single-digit level. Our net sales are currently at circa 80% of pre-COVID levels, and there is an overall recovery driving very strong premium Scotch development.

Moving now to India. India is at plus 15% in these 9 months, with continued excellent performance with strong premiumization. Strong value growth with a favorable mix led by Royal Stag, and, as well, the strong development of our Strategic International Brands portfolio. We've been increasing prices at mid single-digits, which is, I must say, excellent in the context of India, with, as well, very strong revenue growth management initiatives.

Moving now to other geographies with strong value-led growth across regions and dynamic pricing execution. Americas' 9 months is at plus 2%, with a low single-digit growth in Canada, with strong share gains on most brands. Brazil is posting a good growth, driven by Chivas Regal, Ballantine's and Absolut with solid pricing. Mexico is in double-digit growth from Scotch portfolio, Absolut and Martell. Excellent pricing.

9 months in Europe is at plus 6%, with France flat with market share gains and good growth from Ricard. Spain is posting a double-digit growth with solid pricing. There is an on-trade rebound, notably with Absolut, Ballantine's and gin. U.K. is modest growth with dynamic spirit portfolio offset by wine performance. And we are, as well, increasing our price strongly. Germany, dynamic growth mainly from strong Lillet performance.

Asia-Rest of the World 9 months is at plus 12%. Strong double-digit in Japan with Chivas, Perrier-Jouët and Ballantine's. Korea as well very strong double-digit growth, driven by premium Scotch portfolio and Jameson. Taiwan and Southeast Asia continued rebound on a low comparison basis, and Turkey continued excellent growth, notably behind Scotch portfolio.
Moving now to our recent acquisition in our #1 market, the U.S. So fiscal year ’23 has been a very active year of investment with acquisitions, enabling us to reinforce our existing comprehensive portfolio in the U.S. We already mentioned Sovereign Brands and Código in the first half. So I will talk a bit more on Skrewball, which is the most recent addition in a very attractive category, the flavored whiskey. So this is complementing our portfolio, and we are and will be very much in tune with the consumer demand in the U.S.

On Código, you can see on that slide, we are launching an ambitious media campaign for the summer in key states, and there will be some large rollouts in trendy neighborhoods. So more to come on these brands.

And then moving to the outlook. So in a persistently volatile environment and a normalizing market, we are confident in delivering a strong performance in fiscal year ’23, with very strong Q4 sales on favorable comparison basis, while ensuring healthy levels of inventory at year-end everywhere; with continued focus on revenue growth management and operational efficiencies to offset cost pressure in a high inflationary environment.

The A&P ratio for the year would be at circa 16% of net sales, and we continue disciplined investments in structure. The CapEx is estimated at circa 6% of net sales, and we’ll keep accelerating investments in Strategic inventories.

We’re going to launch imminently a final EUR 300 million tranche to complete our share buyback program, which I’ll remind you, will amount to circa EUR 750 million for the fiscal year ’23. We expect some positive currency effect. So our guidance for fiscal year ’23 is to deliver an organic growth of circa 10% in profit from recurring operations, with some expansion in organic operating margin.

Florence Tresarrieu - Pernod Ricard SA - Global Senior VP of Investors Relations & Treasury

Thank you, Hélène. Now turning to your questions. (Operator Instructions). So operator, if you can direct us to the first question, please?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) So the first question is from Edward Mundy of Jefferies. Sorry, the first question is from Simon Hales of Citi.

Simon Lynsay Hales - Citigroup Inc., Research Division - MD

So 2 questions. Firstly, Hélène, just on China. Can you just give us a little bit more color around your comments you made there? Are inventory levels normal at the end of March or are you still going to have to make some phasing adjustments to inventory as we head into Q4? And are you able to provide any sort of headline numbers when you talk about strong exit rate in March? Can you talk about what level of consumer offtake you’re actually seeing at all?

And then secondly, just on the U.S., you highlighted normalizing depletion trends at 2%. I just wanted to confirm, is that a number for you of 2% or is that a market number of 2%? And how do you think about depletion trends in the U.S. over the coming couple of quarters? Do you think we’ll return back towards 3%, 4% rates? Or is 2% the new normal for now?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Okay. Thank you very much. It’s more 4 questions than 2, but I’ll try to answer quickly. So starting with the U.S., so the depletions at plus 2% are our numbers. We were already anticipating a normalization of the market, as you know, which means that we believe that it’s going to come back to the pre-COVID growth, which was more mid single-digits. Right now, it’s fair to say that the market is probably more at a kind of low single-digit,
circa plus 2%, plus 3%. So with our depletions at plus 2%, we are quite aligned with this trend. Our expectation is still that the normalization to mid-single-digit will happen. Difficult to say exactly when, but that’s our strong conviction.

China. So China, as I said, the month of March has been quite strong in both channels, I must say. The on-trade traffic is back probably to circa 80%. We had Central China, which is a bit faster than South. Nightclubs are still softer, but we see a good recovery in KTVs. When it comes to the off-trade, we see as well good demand in shops. Our numbers for the March intake from Martell are very, very strong.

So the level of inventory in the -- in China at the end of Q3 is where it should be, I must say. So the inventory adjustment has been made quite fast. That’s why we are in a strong position to fully capture the opportunity of the recovery in China for Q4 and, as well, execute our price increase in, I would say, in excellent conditions, those price increases implemented in May.

Operator

So the next question is from Edward Mundy of Jefferies.

Edward Brampton Mundy - Jefferies LLC, Research Division - Equity Analyst

Two questions, please. The first is on your margin guidance. I think previously you were guiding for sustaining operating margin, and now you’re guiding for some margin expansion. Can you perhaps talk about sort of what’s changed in terms of outlook? And then second of all, on India, there’s been some recent media speculation in New Delhi. Perhaps you could provide some color on to what extent that could be contained at that particular region or whether there’s a risk that, that could spread a little bit further?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Yes. Thank you very much. It’s -- I will start with the margin. I think, first, we are obviously now almost at 10 months of the fiscal year, so we have strong visibility of the underlying demand, which remains quite strong. That’s why we are delivering this type of performance. We keep increasing our prices. We did it strongly in H1, as you remember. We did again in Q3 in many markets, like the U.S., like many markets in Europe, like France, like Germany, like Spain, like the U.K., like Italy, and as well in many other markets.

So this is obviously giving us the confidence that we can protect our gross margin because the inflation is still quite high in terms of impact on our COGS. So the pricing is, as well, to continue. And we’re going to accelerate the A&P versus H1 to achieve the circa 16% of net sales and can continue investing in a very disciplined way on structure costs. That’s why at the end of the day, thanks to this very dynamic top line, which is as well, obviously, quite good thing to absorb the fixed cost, we believe we can improve and deliver some operating margin expansion.

Your second question on India. So India, the weight of Delhi is circa 5% of the net sales in the country. The license has been suspended since early September, so you see our performance despite that suspension. Having said that, we are obviously working hard to have this license renewed in the coming weeks and months. So it’s more or less, as I said, circa 5%, which means at group level, it’s less than 0.5% of our top line.

I take the opportunity of your question to say that India, for us, is a Must-Win market. Performance is excellent. We’ve been increasing prices to the highest level versus the recent past. All the fundamentals are very strong in terms of consumer confidence, in terms of demographics, in terms of urbanization. And we have very strong brand equity that we’ve been building the past 20 years, even more than that. So very – we are very ambitious for India in the short and mid-long term.

Operator

The next question is from Trevor Stirling of Bernstein.
Trevor J. Stirling - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

My two questions, and it is 2. So the first one is you’ve done a lot of deals in the U.S., Hélène, and very underlying high-growth businesses. How much do you think that’s going to enhance your growth rate in the U.S.? You roughly said -- could you give us a percentage in terms of the improvement you think you’ll get in your organic growth rate in the U.S.?

And second question, in terms of costs and the outlook for next fiscal year. Can you spot commodities have fallen a long way, energy prices are done, that should feed through into lower glass prices? Do you think that means that the outlook for fiscal ’24 should be one of margin expansion?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

So I’ll start with the second question. Please give us some time to fine-tune what should be the right level of ambition for fiscal year ’24. But coming back to your question on the pressure coming from inflation, as I was alluding to, it’s still high on many components of our COGS, wet goods, dry goods. What I can share with you already is that there is some moderation in terms of distribution and logistics costs. But moderation, that doesn’t mean that we are benefiting from, I would say, now tailwind versus the headwinds we are facing, but it’s moderating. So we’ll have, obviously and hopefully, more visibility in the months to come to give you a better forecast for fiscal year ’24.

On your first question, in the U.S., as I shared before, we are very excited with the addition of those brands in our portfolio. It’s our #1 market. We want to be obviously very consumer-centric in the U.S. and everywhere else, but in the U.S. as well. Those brands are very exciting. Very well positioned in, as well, very dynamic and exciting categories. And they are already quite sizable, I must say. When you look at Skrewball, it’s 600,000 cases. Bumbu is probably around 300,000 cases. Código, close to 100,000 cases.

So our teams are already working hard to seize the opportunity coming from the growth that those brands are going to deliver. To be a bit more technical, this contribution to growth will still be in a kind of -- in our perimeter effects for the months to come. So contributing to the organic growth probably starting in fiscal year ’25.

Operator

The next question is from Olivier Nicolai of Goldman Sachs.

Jean-Olivier Nicolai - Goldman Sachs Group, Inc., Research Division - Equity Analyst

Just one question on my side to bring down the average. So on Duty Free, you actually flagged that you’re on track for profit recovery. But at the same time, you said that in terms of net sales you’re at 80% to pre-COVID levels. When would you expect net sales in Duty Free to reach back to the level that you had pre-COVID?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Yes. Thank you. I mean, first, I must say that the -- our expectation for the weeks and months to come for Travel Retail are very positive, obviously, because there was already a strong recovery happening in many geographies. Things are getting much better now in China. We are still, obviously, not back to pre-COVID. I think the estimates for the calendar year ’23 is probably that we could be globally back to maybe half of what Chinese travel used to be by the end of December. If it’s happening sooner, obviously, we’ll be quite happy to seize that opportunity.

So the reason why we were already indicating the fact that we should be back to pre-COVID level in terms of profit is that we don’t believe that the full recovery versus pre-COVID will happen as fast as by the end of June. But thanks to premiumization and pricing, we’ll be back to pre-COVID level in terms of profit by the end of June. So to answer your question, I think it’s obviously depending mainly from the pace of the recovery of...
Chinese travel, for which they could be as well some, I would say, administrative constraints in the months to come in terms of Visa, in terms of airline traffic and so on.

But we see the environment is getting much, much better, and this is good news. We are very strongly positively exposed to the Travel Retail. This is as well a very premium part of our portfolio. And our teams are fully ready to be very visible in the airports and attract the travelers.

Operator

The next question is from Celine Pannuti of JPMorgan.

Celine A.H. Pannuti - JPMorgan Chase & Co, Research Division - Head of European Food, Home, Personal Care & Tobacco and Senior Analyst

My first question, I would like to come back to the U.S. You said depletion is running at 2%. At H1, you said depletion was running at 3%. So I mean, roughly speaking, it implies flat for the third quarter. Could you give us a bit more details on what’s going on? Because you have high pricing, but so -- I mean, are you seeing people down-trading? Are you seeing volume pressure? And at which point the recovery in the market may mean that there will be a need of moderating that pricing strategy?

My second question is on Europe. I think there’s been a bit of normalization there. Could you give us a bit of a flavor of how the market is evolving in Western Europe, especially, I think some of the corporates have been talking maybe about the consumer weakening a bit?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Okay. Thanks. So I'll start with Europe. Honestly, Europe, the trend is very similar to H1. So quite dynamic performance in Europe with strong price increase, which are necessary in a context where, again, we are facing high inflation in terms COGS. So we've been increasing prices mainly in Q3. So it's true that there was some timing effect H1 versus Q3 because of the phasing of this price increase, but the underlying demand is quite solid.

So the first question on the U.S. So it's true that the -- your understanding is correct, we're talking about plus 2% versus plus 3%, which, I would say, is very consistent with the normalization of the environment that we were expecting. As I said, the market is probably now, at this level, of low single-digits, so that's the normalization we were expecting. Having said that, it's still keeping the benefit of COVID, which was a very strong growth in the U.S., as I said, for a few years now. So the normalization is expected.

So then your question in terms of value ahead of volume, the price increase key value level, as we speak, that's true for performance and probably as well for the market. The volumes are softening, which for us is probably mainly linked to that normalization of the market. We are obviously tracking and monitoring the brand elasticities and, as well, the price increase policy of competition. Having said that, I mean, our brands are really more exposed to the premium part of the market, which are naturally less elastic.

So we don't see any down-trading, to answer your question. And when I look at the value growth that we did deliver over the 9 months, for instance, we have very good numbers from Jameson, from our Specialty Irish Whiskey that are quite super premium and above and strong double-digit. Jefferson's as well is in double-digits in terms of depletions. So no down-trading as far as we can see.

Operator

The next question is from Mitch Collett of Deutsche Bank.
Mitchell John Collett - Deutsche Bank AG, Research Division - Research Analyst

I’ve also got 2 questions. So my first one, apologies if you’ve already given this. But given some of the puts and takes in terms of phasing in Q3, could you just give us a depletion number for the group for Q3 worldwide? And then secondly, I guess, it’s linked to your final point there about not seeing any down-trading. I think in the 9 months your volume growth was plus 1%, pricing was plus 9% and sales growth was plus 8%. I appreciate there may be some rounding, but that implies mix is minus 2%. So can you comment on how much of that negative mix is country mix and how much of it is product mix?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Yes. Sorry, the sound was really not good, but I hope I understand your question correctly. So we don’t give a number for depletions worldwide. But what I can tell you is that this is something that we are tracking market by market to make sure that we have shipments following depletions, meaning that we started the year with a very healthy level of trade inventory everywhere. And this is exactly as well our intention for the end of June, to close with a very healthy level of inventory everywhere.

Your second question in terms of mix. So it’s true that there is some slightly negative mix in the 9-month figures. It’s mainly market mix. And to be very clear, it’s coming from those technicalities in Q3 in China and in the U.S.

Operator

The next question is from Chris Pitcher of Redburn.

Chris Pitcher - Redburn (Europe) Limited, Research Division - Partner of Beverages Research

Could I go back to China again, please? And trying to understand -- can I confirm that you were down over 30% in the third quarter, just in terms of the math of that? And then on that basis, how do you think you’re doing in terms of market share in China? There’s a lot of mixed messages coming out of your competitors. Do you think the industry, as a whole, perhaps misjudged sell-in ahead of Chinese New Year? It sounds like you’ve now removed all the excess stock, just to confirm that.

And then secondly on CapEx, I know you’ve guided previously to elevated CapEx. But given where we are today, can you give us a bit more color perhaps on how long you expect that elevated level to remain, and break out in a bit more detail where the extra couple of hundred million is being spent for us to check that?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board

Yes. Thanks. So China, I think -- please first keep in mind that there was some timing effect of the earlier Chinese New Year versus last year. So that's why H1 was, anyway, reflecting this earlier phasing whatever was the expectation for the, I would say, dynamic of CNY. Honestly, I think we were not expecting an amazing CNY, knowing, as you probably remember, that starting in October and it was already -- it was still the case, sorry, in November and December, the situation linked to the COVID restrictions was quite strong in terms of restrictions. So there was no expectation of a spectacular CNY.

So I think our selling was managed to make sure that we would be able to see the opportunity of what could have been a good CNY. So CNY was soft, and that’s why there was a need to obviously adjust the inventory to make sure that we could again land in a very healthy position at the end of June. And as I mentioned before, we are already, at the end of March, in a good place. So that’s why we expect a strong Q4.

In terms of market share, we don’t track it on a monthly basis, but I can tell you that we’ve been consistently investing behind our brands to keep strong equity. And the fact that we are implementing this level of price increase in May is, as well, a good sign in terms of confidence on where we are in terms of brand equity. And to be even more specific, in terms of media spend for Martell, we believe that we have increased our share of
voice. So we are in a good place to -- again, to really seize the recovery of the Chinese consumer demand in the weeks and months to come. So for the question -- yes?

Chris Pitcher - Redburn (Europe) Limited, Research Division - Partner of Beverages Research
Can I confirm, the destocking in China, it would be over EUR 100 million, if I've got the calculation right? Could you confirm that?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board
We don't give numbers by quarter, but this is a significant decline in Q3 for all the reasons I mentioned. And again, we expect a strong Q4. So for the CapEx, we gave this number circa 6% for this year, so it's stronger than it used to be. And I think we've been, as well, quite explicit in terms of what are the very significant and strategic projects that we'll be implementing in the months and years to come, especially in Scotland and in Ireland, but as well in the U.S.

And most of them are really to increase our production capacity, and as well to do that with a very strong S&R ambition in terms of carbon neutrality. So those initiatives are obviously not going to happen in a few months only, it's going to be over a few years. So you can expect some innovation in our CapEx to deliver those projects in the years to come.

Operator
The next question is from Jeremy Fialko of HSBC.

Jeremy David Fialko - HSBC, Research Division - Head of Consumer Staples Research of Europe
Jeremy, HSBC here, a couple of questions. So first one is on the U.S., and we talk about this normalization of the market. Now when you like dive a little bit deeper into that and you look at the different kind of metrics through which the market growth, be it the penetration of spirits, the frequency of consumption, the pace of premiumization, if you were to look at those different components and which ones have necessarily slowed the most, could you pick any out? So just talk a little bit more about, okay, what is it that made this market slower, the different potential drivers of that.

And then the second question is on Russia. Can you just clarify what you have now sort of started doing in Russia in terms of resuming shipments? We know you started doing Absolut, but you're not going to do that anymore. So could you say what you're doing in Russia and, I guess, what the underlying rationale behind that is?

Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board
Let's start with the U.S., I mean, the normalization, as I said, was expected. When it comes to your question in terms of premiumization, I must say the pace of premiumization is moderating, but we don't see down-trading. The premium category is growing. It's true that the Ultra and Super-premium categories are in slight decline, but the value category as well. So in terms of specificity, it's true that there were probably, as well, some impact from the withdrawal of COVID stimulus program, especially for the cognac category and as well the high-end tequila.

Key trends remain, I would say, quite consistent versus the recent past, meaning that the strength, for instance, of mixology and of convenience. So the normalization of the consumption pattern is, as well, to be taken into consideration in context of price increases that are ensuring the value growth. So the volume softening, again, is a result of the normalization of the market.

So your second question on Russia, let me come back on the broader situation. First, we firmly condemn this war, and we have done so from the very beginning. We have, as well, immediately provided substantial assistance to Ukrainians via international relief programs, but as well directly to our local teams in many different ways. So activity in Russia is not business as usual. Not only do we fully comply with all international sanctions,
but we go beyond them, as we have stopped market investments and we have significantly reduced the number of brands imported. So our primary focus remains the protection of our local teams wherever they are.

**Florence Tresarrieu - Pernod Ricard SA - Global Senior VP of Investors Relations & Treasury**

So we're going to take the last question.

**Operator**

Ms. Tresarrieu. This was the last question.

**Florence Tresarrieu - Pernod Ricard SA - Global Senior VP of Investors Relations & Treasury**

I'm sorry. Okay. Thank you. Thank you very much. Thank you, Hélène, and thank you all for your questions.

**Helene de Tissot - Pernod Ricard SA - Executive VP of Finance, IT & Operations and Member of Executive Board**

Okay. Thank you. Thank you to all. So again, this was a very strong 9 months for us in terms of performance, with some technicalities in Q3, which I hope I explained to you well. We are guiding for a strong full year with organic growth of our profit from recurring operation at circa plus 10%, with some operating margin expansion. Thank you very much for your attention, and talk to you soon.

**Operator**

Ladies and gentlemen, thank you for joining. The conference is now over, you may disconnect your telephones. Thank you.