Operator: Greetings, and welcome to Transcat, Inc's. Fourth Quarter and Full Fiscal Year 2021 Conference Call and Webcast. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Craig Mychajluk, Investor Relations for Transcat. Thank you. You may begin.

Craig Mychajluk: Yes. Thank you, and good morning, everyone. We certainly appreciate your time today and your interest in Transcat. With me here on the call today, we have our President, Chief Executive Officer, Lee Rudow; and our Chief Financial Officer, Mark Doheny. After formal remarks, we'll open the call for questions. If you don't have the news release that crossed the wire after markets closed yesterday, that can be found in our website at transcat.com. The slides that accompany today's discussion are also on our website.

If you would, please refer to **Slide 2**. As you are aware, we may make forward-looking statements during the formal presentation and Q&A portion of this teleconference. Those statements apply to future events, which are subject to risks and uncertainties, as well as other factors that could cause the actual results to differ materially from where we are today. These factors are outlined in the news release as well as with documents filed by the company with the Securities and Exchange Commission. You can find those on our website where we regularly post information about the company as well as on the SEC's website at sec.gov.

We undertake no obligation to publicly update or correct any of the forward-looking statements contained in this call whether as a result of new information, future events or otherwise, except as required by law. Please review our forward-looking statements in conjunction with these precautionary factors.

I'd like to point out as well that during today's call, we will discuss certain non-GAAP measures, which we believe will be useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. We have provided reconciliations of non-GAAP to comparable GAAP measures in the tables accompanying the earnings release.

So with that, I'll turn the call over to Lee to begin the discussion. Lee?

Lee Rudow: Thank you, Craig. Good morning, everyone. Thank you for joining us on the call today. Without question, our team is pleased with the fourth quarter results and the results for the full fiscal 2021 year. In both the fourth quarter and full fiscal 2021, we generated record revenue, record operating income, record service margins and record cash flow.

The company fought through the challenges of the pandemic and demonstrated both the inherent resiliency of the business and the adaptability of our dedicated team. Our performance underscores the value of our services and validates the investments we've made in technology, infrastructure and the talent needed to effectively execute our strategic plan, especially this past year.

Our Service segment continues to be our primary growth engine. The segment generated strong growth across every financial metric. And in the fourth quarter of fiscal 2021, we returned to double-digit organic revenue growth. It was our 48th straight quarter of service growth and resulted in Transcat passing the $100 million annual service revenue mark for service for the first time.

In addition to service revenue growth, we delivered outstanding service margin performance. Gross margins were up 500 basis points in the fourth quarter to 33.9%. And for the first time, our full year service gross margin achieved a milestone of 30%.

Operating margin was up 470 basis points in the fourth quarter to 15.1%. Margin gains were primarily driven by technician productivity, inherent operating leverage on organic service revenue growth and accretive acquisitions of pipettes.com and BioTek. Distribution was still impacted by the lingering effect of the pandemic, though we're encouraged by the sequential improvement in the business as distribution turned in its best quarterly results of fiscal 2021.

The rental business continues to perform well, up 11% in the fourth quarter. Overall, our fourth quarter operating income exceeded our expectations, hitting $4.5 million, up 21%. Even with the downward pressure caused by the pandemic, operating income for the full year hit a record $11.1 million.

We generated record cash flow of $23.6 million during the year. Cash was primarily allocated to support our acquisition strategy, technology investments and to pay down debt by $10.7 million.

Our current leverage ratio is now below 1, which provides us flexibility to capitalize on future organic growth opportunities and margin-enhancing technology developments to drive automation and process improvement into our operation. And of course, our balance sheet will aid in the execution of our next level acquisition strategy.

Before I turn things over to Mark, though, I want to walk through an announced acquisition we made on April 29. We acquired Upstate Metrology, a small bolt-on acquisition located nearby our headquarters in Rochester, New York. Upstate Metrology's annual revenue is approximately $1 million. But as a bolt-on, it'll be integrated very quickly with our Rochester-based calibration lab, so we can fully leverage our current infrastructure.

And with that, Mark, I'll turn things over to you.

Mark Doheny: Thanks, Lee, and good morning, everyone. I will start on **Slide 4** of our earnings deck, which provides detail regarding our revenue for the fourth quarter and the full year. For the fourth quarter, consolidated revenue of nearly $49 million was up 7% on strong service revenue and sequentially improving distribution revenue.

Turning to the segments. As we mentioned, we were very pleased with Service segment revenue growth of approximately 16%, with 10% organic growth and 6% coming from acquisitions. The strong organic growth was mainly driven by improving order trends and continued market share gains, and to a lesser degree, by an easier comparison to the prior year quarter as the Service business began to feel the impact of the COVID-19 pandemic towards the second half of March 2020. With regard to the acquisition growth, we have now lapped the 1-year anniversary of our acquisition of pipettes.com, which was acquired in February 2020. With that in mind, beginning in the first quarter of fiscal 2022, pipettes.com will fully become part of our base business.

Turning to distribution. Segment sales of $19.8 million were down approximately 5% from prior year, the best quarterly comparison of fiscal year 2021. Sales improved 3% sequentially from our fiscal third quarter on modestly improving income trends, especially for products sold into the wind power generation market. As a reminder, we did not feel the impact of the COVID-19 pandemic on distribution revenue until early April of last year as we continue to shift out of our backlog through the end of March 2020.

Finally, on a full year basis, we were very happy to set a new revenue record of $173.3 million, which was up slightly from the prior year. Our Service business was up a healthy 9%, and as Lee mentioned, surpassed the $100 million milestone revenue mark. This more than offset the distribution decline of approximately 10%.

Turning to **Slide 5**. Our fourth quarter consolidated gross profit was up 16% from prior year, and our gross margin expanded 230 basis points to 28.6%. Service segment gross margin was up 500 basis points to 33.9% on continued traction from our technician productivity initiatives, operating leverage from organic growth, and accretive margins from our recent acquisitions. Fourth quarter distribution gross margin was down 220 basis points from prior year on lower levels of co-op advertising and rebates from our vendors.

For the full year, our consolidated gross profit increased 9% to $46.1 million. And also, as Lee mentioned earlier, we achieved an important milestone of over 30% gross margin on our service business for the year. We believe this level of gross margin is largely sustainable as the majority of the year-over-year

improvement we saw in fiscal 2021 has been driven by technician productivity and operating leverage on our fixed costs.

Turning to **Slide 6** for our overall operating performance. Fourth quarter consolidated operating income of $4.5 million was up 21% from prior year and exceeded our expectations. Service segment operating income increased to $1.8 million, and operating margin increased 470 basis points as a significant portion of the gross profit increase fell through to operating income.

Distribution operating income was down approximately $1 million, largely on lower gross profits. Operating expenses for the fourth quarter included incremental expense from our recent acquisitions, higher technology spend as well as approximately $300,000 in severance expense.

Turning to **Slide 7**. Q4 net income increased 29% to $3.2 million, and our diluted earnings per share of $0.42 were up $0.11 from prior year, a result of the strong operating performance. For the full year, net income was down 3% and diluted earnings per share were down $0.05. The fiscal 2021 tax rate of 21.9% was up 470 basis points from the fiscal 2020 tax rate, which was aided by a higher discrete income tax benefits.

Moving to **Slide 8**, where we show our adjusted EBITDA and adjusted EBITDA margin. Among other measures, we used adjusted EBITDA, which is non-GAAP to gauge the performance of our segments because we believe it is a good measure of our operating performance and ability to generate cash. A reconciliation of adjusted EBITDA to operating and net income can be found in the supplemental section of this presentation which, as a reminder, is posted on our website.

Fourth quarter consolidated adjusted EBITDA was up 30%, and our adjusted EBITDA margin increased to 15%. We were especially pleased with the Service segments increase of $2.4 million, which drove EBITDA margin up to 21.7% in the quarter. For the full year, adjusted EBITDA was up 12% and driven by Service segment EBITDA margin expansion to a healthy 16.8%.

Moving to **Slide 9** and our cash flow. Full year net cash provided by operations doubled from the prior year to $23.6 million and was a function of our improved EBITDA and reductions to working capital.

Full year CapEx was $6.6 million, and were largely focused on technology infrastructure, Service segment capabilities and rental pool assets. For fiscal year 2022, we anticipate our CapEx to be in the range of $7.5 million to $8.5 million, with investments focused on technology infrastructure, rental pool assets and operational capability and efficiency projects, including calibration automation.

Slide 10 highlights our strong balance sheet. At quarter end, we had total net debt of $19 million, which was down $10.8 million from fiscal 2020 year-end. With this reduction, our leverage ratio also came down and was slightly below 1 at quarter end. This is calculated as the total debt at the end of the period divided by the trailing 12 months adjusted EBITDA, including giving credit for any acquired EBITDA.

And finally, we had $31.1 million available under our revolving credit facility at the end of the quarter. One more thing, we expect to file our Form 10-K on or around June 7.

With that, I'll turn it back to you, Lee.

Lee Rudow: Thank you, Mark. We entered fiscal 2022 with a strong balance sheet, strong organic sales pipeline and a very active acquisition pipeline. Operationally, we expect our fiscal 2021 gains in service gross margin to be largely sustainable. From a directional perspective, we like what we see when we look ahead.

Our confidence is high that we have both the right strategic plan in place and the ability to execute it. We expect both operating segments to have a strong start to the new year.

For the first quarter of fiscal 2022, we expect service organic growth to be similar to what we just achieved in the trailing 2021 fourth quarter. We believe we can continue to improve service margins, albeit at a more moderated level as the fiscal year progresses and technician productivity comparisons become more challenging.

Moving forward, automation will be a key focus. And we expect to gain more traction over the next 12 to 24 months.

Distribution has progressively improved since the pandemic started over the last year, and we believe the trend will continue. For the first quarter of fiscal 2022, we expect distribution growth to be in the high teens on improving trends and an easy comparison to the first quarter of fiscal 2021, which was heavily impacted by the onset of COVID-19.

All in all, Transcat enters fiscal '22 well positioned. We remain focused on continuous improvement and leveraging technology as a competitive advantage to drive sustainable differentiation. In combination with improved macroeconomic indicators, vaccine rollouts and accelerated expansion, we expect to enhance shareholder value in 2022 and beyond.

With that, operator, please open the line for questions.

Operator: [Operator Instructions] Our first question comes from the line of Greg Palm with Craig-Hallum.

Greg Palm: Congrats on the quarter here, really good results. I guess, just to start off on services. I'm curious, what are you seeing in terms of growth by end market, 10% organic was a pretty solid number. And what I'm trying to figure out is that is it broad-based? Is it driven more by certain end markets like life sciences, what are you seeing?

Lee Rudow: Really, I would characterize it, Greg, as broad-based. We are seeing some recovery in the industrial markets, which is always good for us. Life science has been consistent for years now. And so that's certainly playing a role.

But overall, I would say that the double-digit growth is based upon a recovery across the industrial marketplace, more than anything else from previous quarters.

Greg Palm: Is that fair to say then that most of your end markets now are at/or exceeding kind of that pre-pandemic level? Or do you still feel like there's some pent-up demand out there?

Lee Rudow: It's hard to tell with certainty, but I think most have recovered somewhat. I think there probably is some pent-up demand. We'll see some of that throughout the year. I don't think oil and gas, for example, has fully recovered. I think it's taken steps in that direction. So a little bit of pent-up demand, some recovery, it's kind of a mix.

Greg Palm*:* Okay. Got it. Makes sense. And then specifically on the margin, I just wanted to kind of clarify some comments. I thought Mark had said something about gross margins and service being sustainable, but the guidance kind of is vague in terms of expecting year-over-year improvement, but not to the same degree experienced last year. So can you just help us understand exactly what you mean by the comments there?

Lee Rudow: Yes. I think Mark and I both try to allude to the fact that we expect the company to continue to drive improvements in our margin. Now we're coming off of a year with a 500 basis point improvement. And so we're cautious in that we don't want to send indicators that we expect to do that again. However, we do expect to improve.

And as I've said in the past, Mark has said in the past, it's not going to always be quarter-to-quarter. But directionally, we have things in place. We are investing in technology, we are investing in automation, with the end purpose of driving margins, and we're going to get that done. That's our intention.

So you're seeing some tempering based upon year-over-year improvement. We don't see that necessarily continuing at that rate, but we do see improvements. And that's what we're trying to convey.

Greg Palm: But I guess, is the improvement commentary based on what you saw in last year's quarter? Or is it based on what you saw for the fiscal year? I'm just trying to gauge what kind of benchmark are we using? Are we using 30% as the improvement level or the 26% in change that you saw last quarter a year ago?

Lee Rudow: Yes. I think you've got to get closer to the 30%. And like I said before, it could dip down 100 basis points here and there. We're in the 30% range, and I expect to stay there. And again, we alluded to the sustainability of the improvements we made. I think you're going to see that apparent in this upcoming year.

So I think I'd guide you closer to the 30% then going back this time last year to 26%.

Mark Doheny: Yes. Just to be clear, that's for the full year. We have a full year of 30%. We just achieved that milestone. We expect improvement for the full year. And Greg, to your point around the Q1 guidance, we do expect improvement there, too. And if we were just sort of setting the tone that 500 basis points was an extremely good year. We expect improvement in both the quarter and the full year, but maybe not to that degree.

Operator: Our next question comes from the line of Scott Buck with H.C. Wainwright.

Scott Buck: It seems like a little bit of a slower start to M&A this calendar year. I'm curious, is that a reflection of the pricing environment? Or you get a little bit of a deer in the headlights from COVID with some of the potential targets?

Lee Rudow: Yes. I wouldn't read into anything about the relative to a slow start to the calendar year. It was about 2 quarters ago, almost 3 now, that we hired a VP of Corporate Development for the express purpose of really taking advantage of what we thought was going to be a good opportune time in the market to make acquisitions. And in combination with the fact, Scott, that we were ready as a company to sort of get to the next level.

And nothing has changed. So we've built a really nice pipeline. And I try to characterize that in our script, and I think you'll see a higher level of activity as the year progresses. So taking the 3 or 4 months at the beginning of calendar year, and I wouldn't characterize it as anything other than what it is, and it's a time when we have an active and well-built pipeline, and I expect to see some results from that.

Scott Buck: Okay. Good. I appreciate that color. Second one for me. How should we think about margins in distribution longer term? I mean, can they be maintained at these levels? Or are we likely to see some compression over time?

Lee Rudow: I think our goal is to see stability in distribution, and that would be both from a revenue and a margin perspective. We have our rental program, which we launched about 4 or 5 years ago now for the purpose of keeping margins stable. It's not as strategic as it was for the company 10 years ago, distribution, but it does still provide us with a lot of leads and ample opportunity to sell service to customers who buy products from us. So we really want to see that business be stable over the next couple of years. And we've designed it and we've invested so that it should get close to that stability. So that's what we would expect. I don't expect margins to increase significantly. As it is satisfying.

Scott Buck: All right. Great. And then are you guys having any challenges in sourcing inventory in distribution to meet some of this pickup in demand?

Lee Rudow: Yes. We actually are. Mark, do you want to address that?

Mark Doheny: Yes. What you're hearing and reading with all the other companies were sort of experiencing the same thing, nothing unique to us, I would say. But between container shortages and COVID ramping up production in certain areas being difficult and drivers.

Yes, our backlog in the distribution business is higher than it normally is. We've had some good orders recently, but also, the lead times, it just takes longer from the time we tell our vendors, we need something to the time we get it. And we hope that works itself out, but we're not immune to what's going on in the world there.

Operator: Our next question comes from the line of Gerry Sweeney with ROTH Capital.

Gerry Sweeney: I want to start with revenue. Just this is more out of curiosity, I guess, than anything. But how much of this jump is maybe we talked about a little bit of pent-up demand in the past versus maybe just general economic expansion?

Lee Rudow: Gerry, I said a little bit earlier, I really think it's a combination of both. We are seeing recovery in the industrial markets that has been helpful in terms of achieving growth. So that we would expect to continue.

And without question, there's an element of pent-up demand as well. So I think you're seeing a blend. We're going to continue to guide service business towards that mid- to high single-digit growth organically. And I think we're confident in that range.

Gerry Sweeney: Got it. That's fair. And then just on the margin side, not to beat a dead horse, but any way you could maybe bucket out your maybe mix price versus productivity and enhancements. I know in the past, we talked about software calibration being a longer-term driver of margin improvement. And just want to see where that's laid out.

Mark Doheny: Gerry, this is Mark. For the quarter, it really was driven by technician productivity year-over-year. Achieving more standard hours with less hours. And when you start growing 10% organically, as Lee has talked about before and the team has talked about before, you have a lot of inherent leverage on our fixed cost.

Those 2 things drove the vast majority of the past quarter and really for the full year, improvements. So that's what I would continue to highlight.

Gerry Sweeney: Got it. And I don't want to put numbers in anyone's mouth, but for some reason, the 35% gross margins long term was a number that just kind of stuck in my head. I'm not sure if that's the exact number. And obviously, I think software calibration and automation plays a big role into that. Is that what we're going to look towards maybe medium to long term?

Lee Rudow: When we think about margin enhancement and margin growth, we started this, call it a journey, for lack of a better word, back when we hit around 24-some-odd percent. And we had a pretty good plan in place, Gerry, to get us to 30%. We got there probably earlier than we expected. And so that's good news. But we're not done. And so the question is, what's achievable? And how long is it going to take?

I think we're going to stick to the idea that we're going to have improvement over time. It's going to be fairly consistent. And I don't think it's unrealistic or unachievable to get into the mid-30s. I think that's a conversation that we're having internally. It's not going to be quarter-to-quarter. We don't have time frames on it, whether it be year or 2 or 3, but at some point in the future, I anticipate that we'll be having that conversation.

And so you probably heard mid-30s as something that was mentioned in the last meeting, during one of the Q&A sessions. And it's part of the conversation.

Gerry Sweeney: Got it. That's fair. Again, I don't want to put any numbers in anyone's mouth, but that’s the number was on top of my head.

And then just on the labor side, any issues in actually acquiring labor? Everything seems to be tightening up across the board. And listen, great quarter. I think a lot of blue sky ahead of you. What I'm trying to figure out is maybe even set the table a little bit that, as you said, don't look at things quarter-to-quarter, look at it more year-to-year. And in the past, you've sometimes higher chunks, we'll say, of technicians and it's hit margins.

Just curious if that could be in the play at some point, so no one gets surprised, et cetera?

Lee Rudow: Yes. So it's a great question. And anyone who has studied this company knows that when we have to hire a lot of people at one time, there can be short-term deflation in margins, that could be a quarter or 2. It takes a couple of quarters to get a tech up and running. The more growth you achieve

organically, the more you're going to need technicians. Technicians are never easy to find. So there's always going to be those training periods as you hire a large number of technicians.

But that shouldn't take our eye off the ball, which is longer term, efficiency in the operation and automation and margin enhancement. So that's why we always say, let's not look at this quarter-to-quarter. High rates of growth do sometimes have a short-term dampening effect on margins.

Now as we get better at what we do and put more technology to our operation, we should be able to offset that better than we've been able to do in the past. So that will be a factor as well that we would look to achieve.

Gerry Sweeney: Got it. And again, great quarter, and I actually look at the hiring as a positive.

Lee Rudow: Yes, exactly.

Operator: Our next question comes from the line of Mitra Ramgopal with Sidoti & Company.

Mitra Ramgopal: First, just on the higher CapEx and investments in technology infrastructure, if you can give us a sense in terms of where that might entail and in terms of helping you facilitate expansion via M&A and also overall improving margins further.

Mark Doheny: Yes. I would say we are forecasting that we'll spend a little more this year in the $7.5 million to $8.5 million range. We're going to continue investing in technology, we've talked about that. We'll continue to invest in rental pool assets, maybe even slightly more than the prior year as it grows very quickly. I mentioned in my prepared remarks that automation, calibration automation, there will be investments in that area. And that's going to have a year-over-year impact more than we invested in the prior year.

So nothing really out of the ordinary. The good news, it's really centered around initiatives that are going to help us long term. That's how I would answer that question.

Mitra Ramgopal: Okay. Noted. And then, Lee, just a real big picture question. If you can give us a sense as how much you think maybe the competitive environment has changed as a result of the pandemic and maybe opportunities that you have now from an M&A standpoint or even just maybe if you're seeing any willingness of some potential costs as it relates to sourcing that might have been existing before.

Lee Rudow: Well, from an M&A perspective, Mitra, we did anticipate some quarters ago sometime last year, longer term that the pandemic was going to have the type of effect on the market and on smaller competitors that might perhaps make available some acquisitions that wouldn't otherwise be available to us. And people would get tired, and it would be a difficult challenge for smaller companies.

And I think all that's come to fruition. We an active pipeline that we are pursuing and working. And I think that an uptick in M&A activity will be a byproduct of some of those factors, the COVID effect.

But it's also a factor that we're facing on that, we've hired, as I mentioned before, a VP to drive those initiatives for us. So it's a combination of right time, right efforts, right investment, and I think you'll see an uptick in some activity levels.

Mitra Ramgopal: And then just on the perhaps increased willingness of maybe from customers now or to clients as it relates to outsourcing the services to you?

Lee Rudow: Right. We haven't seen a major shift or change so far in this fiscal year or even in Q4 in terms of outsourcing. We'll always be well positioned to do what we call our client-based labs when there's a market for it. But we do expect to achieve our organic growth rates, whether it's from client-based labs, which is a byproduct of outsourcing or any of our other activities to achieve organic growth. So one way or the other, but I can't note a specific change in the last 60 days. That may occur later in the year, and I would certainly talk about it when that happens.

Operator: Our next question comes from the line of Dick Ryan with Colliers Securities.

Dick Ryan: Say Lee, as a follow-up to the CBL, how many of those are you operating now? And what kind of margin contribution do they bring in? Is it additive or dilutive to the core margins you see?

Lee Rudow: Dick, we've got about 20 of those going nationwide, which is the same number we had last year. We've not lost any of them in the 9.5 years I've been here, and we've gained some through the years, obviously. From a dilutive standpoint, the margins tend to be in range of our normal margins.

I think it could be 100 basis points less, depending on the particular customer. But as you know, these are very sticky, and there's a high lifetime value of these customers. So sometimes, that's the benefit that you get. But yes, I would say that the numbers in the 20 range.

Dick Ryan: Okay. So on the CapEx for the rental pool assets, it's growing rapidly, small base. Any kind of ballpark of how you position that business and what rental could contribute 3, 5 years down the road? How big of a market is that you're trying to achieve?

Lee Rudow: Right. Our story, Dick is going to be about the same as it's been in the past. And we launched that business back in '16 with the idea of stabilizing distribution, bridging together our Distribution segment with our Service segment, there was a sort of a myriad of benefits that we're looking to achieve. And nothing has really changed.

It's not part of our current strategic plan to be a $50 million revenue rental company. It is realistic, however, to say that we could go from where we are today, which is $5 million, $6 million rental company, let's say, to a $10 million revenue company, that very much is part of our plan.

So I think modest growth, so that continues to stabilize that business, help stabilize that business for the express purpose of helping to generate leads and cash flow so that we can grow our Service business. That's our strategy. That's rentals part in that strategy, and I think it's going to continue.

Operator: [Operator Instructions] Our next question comes from the line of Kara Anderson with B. Riley Securities.

Kara Anderson: Just one more on M&A from me. Just curious if there's an appetite or an availability of larger acquisition opportunities out there?

Lee D. Rudow: Kara, I appreciate the question. Our pipeline today is rather different than it was a year ago at this time for 2 reasons. One, there are more opportunities that we're looking at today from a volume perspective. And again, that's based upon the initiatives we've launched to make it so.

But within the pipeline itself, we are looking at larger opportunities. And when we say larger, we're talking our average size in the past has been the $3 million to $5 million revenue range. We've done something a little larger.

But I would characterize our current pipeline as having similar type deals in it and some larger type deals that are closer to sort of the $8 million to $10 million range, $10 million to $12 million range. It sort of runs the gamut, but I do think there's some interesting opportunities, and we just have to eventually see if it's a good match and if we can get some deals done.

Kara Anderson: Got it. And then just one last one on the guide for distribution growth in the high-teens range, which imply a sequential decrease from the fourth quarter. Can you help me with that? Why would that be the case as you look more towards a recovery and sort of seasonality offsetting it?

Mark Doheny: Yes. It's just the normal seasonality of the business. Kara, I would describe that as just posted factors, but that's the normal seasonality of the business.

Operator: There are no further questions in the queue. I'd like to hand the call back to management for closing remarks.

Lee Rudow: Well, this is Lee. I appreciate everyone being on the call today. Thank you for joining us. Feel free to check with us anytime. Otherwise, I guess we'll speak with everyone after we release our first quarter results. Thanks again for participating.

Operator: Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time and have a wonderful day.