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Market Intelligence

Wag! Group Co. NasdaqGM:PET

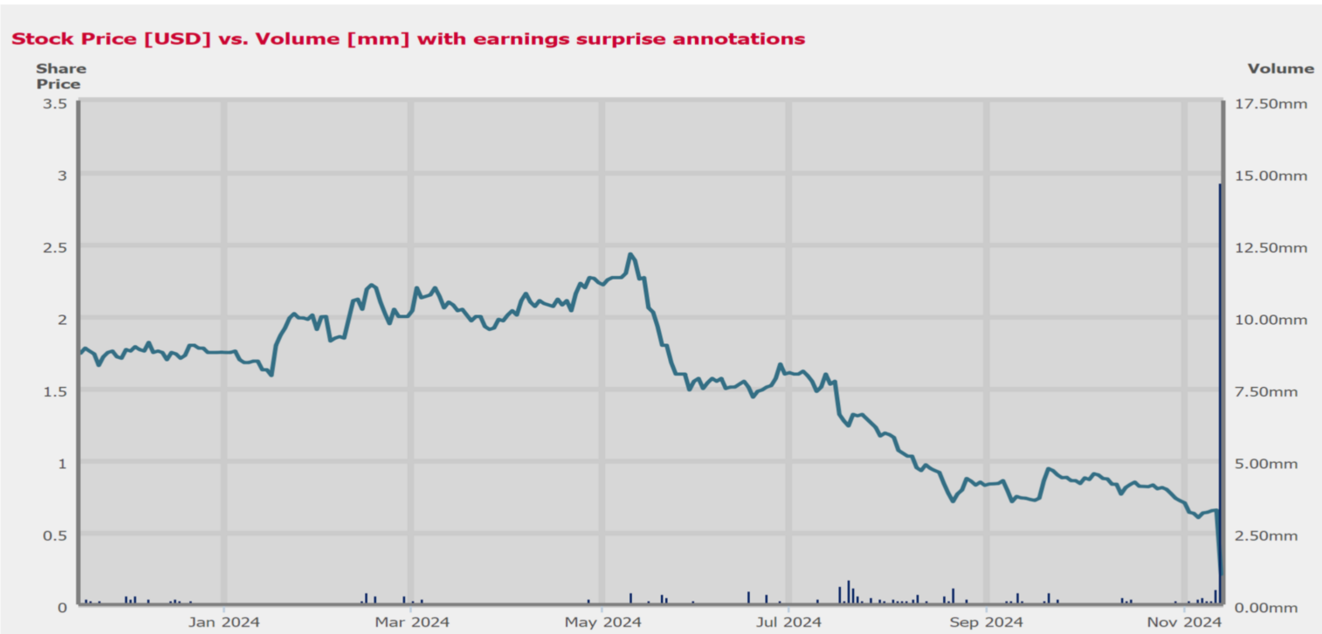
FQ3 2024 Earnings Call Transcripts

Wednesday, November 13, 2024 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2024-			-FQ4 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.04)	(0.13)	NM	(0.08)	(0.37)	NA
Revenue (mm)	20.90	13.20	(36.84 %)	15.40	70.47	NA

Currency: USD
Consensus as of Nov-14-2024 1:26 PM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2023	(0.07)	(0.09)	NM
FQ1 2024	(0.10)	(0.11)	NM
FQ2 2024	(0.06)	(0.06)	NM
FQ3 2024	(0.04)	(0.13)	NM

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Call Participants

EXECUTIVES

Adam Storm
President & Chief Product Officer

Alec Davidian
Chief Financial Officer

Garrett Smallwood
Chairman & CEO

ANALYSTS

Charles Larkin
Oppenheimer & Co. Inc., Research Division

Jeremy Scott Hamblin
Craig-Hallum Capital Group LLC, Research Division

Matthew Butler Koranda
ROTH MKM Partners, LLC, Research Division

Ryan Robert Meyers
Lake Street Capital Markets, LLC, Research Division

ATTENDEES

Greg Robles

Presentation

Operator

Good morning, and welcome to the Wag!'s Third Quarter 2024 Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded. I'll now introduce your host, Greg Robles with Investor Relations. Thank you, and you may begin.

Greg Robles

Good morning, everyone, and thank you for joining Wag!'s conference call to discuss our third quarter 2024 financial results. On the call today are Garrett Smallwood, Chief Executive Officer and Chairman; Adam Storm, President and Chief Product Officer; and Alec Davidian, Chief Financial Officer.

Before we get started, please note that today's comments include forward-looking statements. These forward-looking statements are subject to risks and uncertainties and involve factors that could cause actual results to differ materially from those expressed or implied by such statements. A discussion of these risks and uncertainties are included in our filings with the SEC.

We also remind you that we undertake no obligation to update the information contained on this call. These statements should be considered estimates only and are not a guarantee of future performance. Also, during the call, we present both GAAP and non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are available in our earnings release, which we issued today.

The earnings release is available on the Investor Relations page of our website and is included in exhibit and Form 8-K furnished to the SEC. These non-GAAP measures are not intended to be a substitute for our GAAP results. And with that, I'll now turn the call over to Garrett Smallwood.

Garrett Smallwood
Chairman & CEO

Good morning, and thank you for joining us today to discuss our financial performance for the third quarter of 2024. First, I will provide an overview of our financial results. Following that, Adam, our President and Chief Product Officer, will share a brief update on our strategic priorities for 2024 and beyond. Then Alec, our Chief Financial Officer, will provide a more detailed analysis of our third quarter results and discuss our capital allocation priorities.

We had a challenging third quarter as our revenues decreased to $13.2 million, while our adjusted EBITDA decreased to a loss of $1.9 million versus the year ago period. In the middle of Q3, we encountered an incredibly dynamic marketing environment, which resulted in less efficient marketing spend in our Wellness and Pet Food & Treats revenue streams. As you know, these offerings provide comparison tools for pet parents looking for the best insurance and pet food options, and we've been on a lot of keywords with many SEO partnerships.

In the quarter, we experienced changes to Google that impacted our listing results and made it more competitive to bid on these SEM keywords, leading to shifts in visibility and fluctuations in traffic and conversions. Therefore, we cannot spend efficiently on our Wellness business.

Because of this, our overall customer acquisition cost accelerated in the quarter, and we proactively pulled back on spend in order to manage these changes, which we believe are the result of Google AI Overview, Google search engine result changes and Google SEM adjustments. While we are disappointed with these results, we believe these changes are transitory, and we are better positioned for a strong rebound in Q4 and in 2025. In fact, we've shown a strong recovery from Q3 into Q4, as our Wellness revenue grew 79% month over month in October and the first couple of weeks of November are continuing the same upward trend.

Looking at our adjusted EBITDA, we recognized various nonrecurring expenses totaling $900,000. These corporate expenses include staffing, professional service fees and commercial negotiations with top insurance companies for exclusivity and better commercial terms. We do not anticipate these expenses to continue and expect to return to positive adjusted EBITDA in subsequent quarters.

In terms of our debt, we paid down $5 million in the third quarter, which saves us $0.5 million in interest in the fourth quarter as compared to the start of the year. As Alec will mention shortly, conversations with bank and private lenders are progressing with respect to our refinancing, and we expect to share an update before the end of Q1 2025.

Further, in partnership with the Board, we are considering asset sales for select products that have a longer duration payback. We believe paying off the debt with proceeds from select assets is in the best interest of the company and shareholders. We remain focused on solving the debt issue by the end of Q1 2025. Before turning the call over to Adam, I'd like to briefly discuss our intent to consolidate our headcount and priorities.

We are increasing the bar for profitability on social media campaigns, specifically for WoofWoofTV and lower-margin products like maxbone. Accordingly, we are reducing our headcount by 9 positions in Q4 '24 and expect to recognize those savings. And with that, I will turn the call over to Adam to review our strategic priorities for 2024.

Adam Storm
President & Chief Product Officer

Thanks, Garrett. Despite a very challenging quarter on the marketing front, the underlying metrics of our different business lines remain strong. Within the services ecosystem, new user cohorts continue to push all-time highs for lifetime value. We will continue to invest in product enhancements to drive additional customer value and drive cross-sell to our suite of products and services.

Within the Wellness ecosystem, we are focused on signing new distribution partners that have brand authority and the ability to consistently perform in a dynamic marketing environment. These new partnerships will better position us for success in Q4, which Garrett already outlined in October's results and are expected to continue into 2025.

Within Pet Food & Treats, we are actively navigating search engine changes from Google and Bing that prioritize AI and paid search above organic. Our organic rankings continue to be best-in-class for fast-growing search terms such as best puppy food, and we're deepening our monetization partnerships with food distributors and manufacturers. And finally, our prescription product, which has been in self-development for over 2 years, is getting ready for prime time with a meaningful launch slated in Q1 2025. This prescription management software for the veterinary industry has drawn a lot of attention from industry players and we're in active dialogues for large distribution deals.

Looking ahead, while Q3 was challenging from a Wellness marketing efficiency standpoint, the underlying monetization and user experience across our products is the strongest in Wag!'s history. We remain focused on achieving free cash flow as quickly as possible and setting ourselves up for a phenomenal 2025. I will now turn the call over to Alec to discuss our third quarter financials and fourth quarter forecast in more detail.

Alec Davidian
Chief Financial Officer

Thanks, Adam. As mentioned, our Q2 results were impacted by a highly dynamic marketing environment. Despite greater headwinds impacting performance this quarter, we are controlling what we can and adjusting our activities as needed. We are already seeing the initial positive signs of a rebound in our business in October. Our Q3 metrics were as follows: Revenue was $13.2 million, down 39% year-over-year comprising, Wellness of $6.5 million, Services of $5.4 million and Pet Food & Treats of $1.3 million.

The marketing dynamic had the biggest impact to Wellness. With our team's ability to adapt, we are confident this is behind us. Indeed, by working with our existing partners, and taking advantage of a number of opportunities to expand, our preliminary results for Wellness in October were up 79% versus September. Additionally, we are very excited to be launching new partnerships in the coming months, which we believe will help propel this momentum.

Adjusted EBITDA loss was $1.9 million, which represents a $2.9 million decline year-over-year, driven by lower revenue in the quarter. As Garrett mentioned, adjusted EBITDA included $0.9 million of expenses that we do not expect to recur and without these expenses, adjusted EBITDA would have been $1 million loss on $13.2 million revenue. In Q3, spend was consistently lower than the prior year period in each expense category. Naturally, when analyzed against the lower revenue number in Q3, the percentages are distorted and do not align with historical trends. Cost of revenue, excluding depreciation and amortization, totaled $1.1 million, down $300,000 from a year ago, representing 9% of revenue versus 7% a year ago.

Platform operations and support expense totaled $2.8 million, down $200,000 from a year ago, representing 21% of revenue versus 14% a year ago. Sales and marketing expense totaled $8.9 million, down $3.9 million from a year ago, representing 67% of revenue versus 59% a year ago. G&A expense totaled $4.2 million down $0.5 million from a year ago, representing 32% of revenue versus 21% a year ago. The decline was driven by a reduction in staff and business administrative costs.

In response to the lower revenue results in Q3, we have reviewed our product road map, organizational structure, staffing and vendors with a focus on increasing operating efficiency across our assets and lowering costs. As a result, this week, we have eliminated 9 positions and initiated plans to reduce other costs. We expect these actions will reduce our total annualized operating costs by at least $2 million.

Looking at the balance sheet, we ended the quarter with $15 million in cash, cash equivalents and accounts receivable. During Q3, we paid down $5 million of our debt principal, taking our total debt prepayment in 2024 to $10 million. Our focus on paying down the debt has resulted in decreasing our outstanding debt principal by 34% this year alone. As a result, quarterly debt interest payments are now $0.5 million lower than in the start of the year.

As Garrett mentioned, we are actively exploring ways to lower our outstanding debt balance, which includes exploring the sale of certain assets with longer duration payback, which we believe if executed, will be beneficial to the company and shareholders. We continue to prioritize addressing and executing our debt paydown.

We have updated our guidance for Q4, which is as follows: revenue in the range of $15 million to $18 million, adjusted EBITDA in the range of $0.5 million loss to $0.5 million profit. On an annual basis, we expect full year 2024 results to be as follows: revenue in the range of $70 million to $73 million; adjusted EBITDA in the range of $0.5 million loss to $0.5 million profit. As we move into the end of the year, we believe the business is well positioned for a solid recovery in Q4.
We are seeing initial positive results of our actions in October, with platform participants exceeding 170,000 for the month of October. In conjunction with delivering strong performance, strengthening our balance sheet continues to be a key priority, and we are working to resolve this issue by the end of Q1 2025 with the end result target being a business that has less debt reliance and delivering consistent free cash flow. And with that, we now welcome Q&A. Operator, can you kindly open it up for Q&A.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Jason Helfstein of Oppenheimer.

Charles Larkin
Oppenheimer & Co. Inc., Research Division

This is Chad on for Jason. So just one for me. Coming into the quarter, the narrative was kind of that you were slowing marketing to prioritize cash flow and as you secure the new credit facility, but it seems like marketing efficiency was maybe more challenging than what you had expected. So just kind of talk about what changed there?

Garrett Smallwood
Chairman & CEO

It's Garrett. Thank you for the question. Yes. So I think certainly, the priority has consistently been to diversify our acquisition channels and to become more and more efficient with marketing. And a lot of that's going to come from partnerships, organic acquisitions such as SEO and word of mouth. In intra-quarter, I think we were surprised by the magnitude of Google changes. I'd recommend everyone kind of maybe Google best pet insurance, for example, and see kind of how those new page results have changed. There's now a pretty significant intra-page AI offering, which provides a bunch of links to pet insurance companies, which pushes down a lot of SEO listing results.

In addition to that, the SEO listing result pages changed pretty significantly in terms of the order and the capacity. So I think we were actively navigating that on a -- we're kind of, frankly, hand-to-hand fighting throughout the quarter to figure out what was Google doing and when it was going to stabilize. And I think we're now through that. So the message is still the same, we're really focused on efficient customer acquisition, we're focused on getting Wellness back to a place where it's growing again efficiently. And along with that, I think we'll then be able to manage our debt and credit facility, as Alec and I mentioned.

Operator

And our next question comes from the line of Ryan Meyers of Lake Street Capital Markets.

Ryan Robert Meyers
Lake Street Capital Markets, LLC, Research Division

Yes, I'm just curious, when did you start to see some of these marketing dynamics impact the business? Because obviously, you gave the guide back in August and you were 1.5 months through the quarter. And then I obviously took the guidance down, but then you talked about seeing some improvement here, it sounds like, in October and November.

So curious why the, I guess, outlook on Q4? I mean, is that just baking in a little bit more of conservatism? Long story short, it sounds like you were able to make improvements, but then that doesn't necessarily correlate into what we're seeing here in the guidance for the fourth quarter.

Garrett Smallwood
Chairman & CEO

Yes. So again, it's Garrett. Thanks for the question. I think -- Ryan, I think we're still pretty sensitive to Google right now. I think we're being relatively conservative with what we're seeing and how we're navigating it. There's just kind of consistent concern over making sure we're stable and making sure there's no more kind of upcoming changes. I would just generally say that the magnitude of the impact kind of happened throughout the quarter and took us all by surprise.

And it was varying degrees of impact. You can kind of see this publicly. But when Google publicly rolled out Google AI Overview across a lot of important keywords, how they then made kind of order of magnitude changes to different sites with authority, how they kind of manually penalized certain sites with authority. So we're thinking we're through it, and we're thinking we're in a very good place. For Alec's remarks, we had a strong October rebound, but we'd hate to be overly aggressive with our assumptions. So I think we're kind of a little bit cautious with our assumptions.

Ryan Robert Meyers
Lake Street Capital Markets, LLC, Research Division

Got it. That makes sense. And yes. No, it makes sense. And then can you just give us what the current quarterly cash burn rate is? And then maybe how you expect that to change in the fourth quarter and then as we progress through 2025?

Garrett Smallwood
Chairman & CEO

Yes, Alec, do you want to talk about our current debt expense and how we're managing cash?

Alec Davidian
Chief Financial Officer

Yes. So we finished the quarter on $8.5 million of cash, including debt paydown. It was -- net change in cash over the quarter was just over $9 million. That does include the balance of movements in operating things like AR and AP. We're coming out with a healthy AR balance at the end of the quarter as well of $6.5 million, that has turned into cash soon after the quarter end.

Operator

And your next question comes from the line of Jeremy Hamblin of Craig-Hallum Capital Group.

Jeremy Scott Hamblin
Craig-Hallum Capital Group LLC, Research Division

I want to get into more detail around the specifics on the guidance. So Q4 revenue, $15 million to $18 million. I was hoping you could walk through some more detail on how you expect service revenues versus food and treats versus wellness to perform within that guidance given wellness was only $6.5 million in Q3, so a little over $2 million a month so I'm just trying to understand like the 79% improvement in October could be coming off of $1.8 million in September. So -- but I'm trying to understand your expectations within your segments for Q4 specifically.

Adam Storm
President & Chief Product Officer

Jeremy, this is Adam. I think that the -- as Garrett mentioned, wellness was really the segment that was most significantly impacted in the quarter. I would say that the revenue breakdown for Q4, Services and Pet Food & Treats will probably be in line with kind of the year-over-year trend from Q2 and Q3 whereas Wellness is really what's bouncing back in Q4. And yes, I think that you're directionally correct in your assessments of the August, September, October, November revenue trend for Wellness and you could probably build back up our expectations for Q4 using those assumptions.

Jeremy Scott Hamblin
Craig-Hallum Capital Group LLC, Research Division

Okay. And then just as a follow-up, in terms of driving the improved results in October and into November, is the sales and marketing spend -- is the marketing spend that you're going to have in Q4 presumably going to be higher on an absolute dollar basis than what you saw on Q3? Or -- just a little bit more color on what is driving improved results. Are you adapting better to the Google changes? Or is this more of a spend-driven improvement?

Garrett Smallwood
Chairman & CEO

Jeremy -- go ahead.

Adam Storm
President & Chief Product Officer

Yes. So this is really. Yes, Garrett, do you want to -- okay, I'll take it. This is really about reacting in real time to who is at the top of the pages for these important SERPs. So that's signing new partnerships with organic listings. It's managing how Google's AI results show up and what kind of -- what partners are kind of front and center. So on an absolute dollar basis, I would probably expect Q4 to be above Q3 in marketing spend, but higher efficiency as well.

Jeremy Scott Hamblin
Craig-Hallum Capital Group LLC, Research Division

Okay. And then just moving on here to the commentary around potentially considering asset sales. I wanted to get a sense for which particular assets would be under consideration for something like that? And whom you might expect as a potential buyer? We're just trying to figure out how much you might be able to monetize. I don't know if this is kind of an acknowledgment that may be expanded into too many verticals and need to rein that in. But just wanted to see if you can provide a bit more color for us on that.

Garrett Smallwood
Chairman & CEO

Yes, Jeremy, happy to take it. I wouldn't say that there's a function of kind of over expanding. I think it's a function of just addressing the debt as the #1 priority in the business, frankly, along with just reaching free cash flow. I think resolving the debt allows us to much lower the bar to reach free cash flow. We have 2 assets we think are particularly compelling to strategics, one would be our Dog Food Advisor website along with Cat Food Advisor.

You can imagine there are hundreds of incredible pet food and treat companies out there. And they would love proprietary acquisition for keywords like best puppy food and other assets -- and other keywords like that. In that business, we bought last January. It's grown tremendously since then.

It's a great little site with a tremendous amount of interest from pet parents. So we think that's particularly compelling, especially with what we've done with that. The second, I think, we'll be slower to maybe think about what we consider as our prescription business, which again, has kind of been stealthy for a couple of years, but pretty close to prime time. And that helps veterinarians manage prescription medications through an all-in-one easy-to-access portal.

I think that has a tremendous amount of strategic benefits as well. But I think we'd be a little more sensitive to maybe selling that. We really think that business has a ton of upside. Those are the 2, I think, we'd focus on.

Jeremy Scott Hamblin
Craig-Hallum Capital Group LLC, Research Division

That's helpful. And then is there a kind of a time line on when you would consider potentially pulling the trigger on a deal in those businesses? I mean I'm just trying to understand how actively engaged you are, how new potentially putting these assets up for sale is, if this is something that's kind of transpired in the last week or 2 or something that it's been a month or longer?

Garrett Smallwood
Chairman & CEO

You can imagine that we have a number of commercial partners already across these business lines. So it's pretty natural extension to then start having more strategic conversations. This is not a week or 2. This is a many-week development. And I think we'd expect to have a development by kind of Q4, early Q1, not super fresh. We're managing it. And I think there's significant number of strategics that could benefit from either of these assets.

Jeremy Scott Hamblin
Craig-Hallum Capital Group LLC, Research Division

Okay. That's helpful. And then I think I heard on the commentary that you said October had 170,000 platform participants. I wanted to get a sense for -- I think as we look back to last year, you had 600,000 or so total platform participants in Q4, but wanted to get a sense for how that 170,000 compared to prior year?

Garrett Smallwood
Chairman & CEO

That's right. Similar to prior, slightly less. I think generally, we're just trying to provide some insight into October, which is kind of why we scheduled earnings now. We want to have some confidence that the business is kind of leveling out. But similar upward trend line to last year, albeit a little bit slower. And again, really a function of wellness efficiency, to Adam's point, wellness partnerships, reranking, et cetera.

Jeremy Scott Hamblin
Craig-Hallum Capital Group LLC, Research Division

And then how does the quarter typically play out in terms of platform participation November and December, as they compare to October? Are they typically similar or a little bit less, maybe around the holidays, daytime services used a little bit less?

Garrett Smallwood
Chairman & CEO

Yes, I think very similar. You have to remember, December especially is a big puppy adoption time. A lot of people receive puppies as gifts and cats as gifts. And that's certainly beneficial to our wellness business where people are thinking about insurance and services business when people are thinking about their travel, so I'd say similar, but December usually is a busier time of year for us.

Jeremy Scott Hamblin
Craig-Hallum Capital Group LLC, Research Division

Got it. Last one for me. Just in terms of the WeCompare platform, any update you might be able to share on whether or not are you refocusing just on your core business lines and kind of putting that to the side for the moment? Any update you might be able to share on that.

Garrett Smallwood
Chairman & CEO

I think that's right. I think Wellness this last quarter was an all-hands-on-deck effort along with just -- I would even include Pet Food & Treats in there to manage the systematic changes that we were seeing in performance marketing land. And I think now that we're through that, we can, again, focus on what makes sense for us in terms of strategic bets and opportunities. I'd also say to Alec's point and my point, we did reduce headcount by something like 12.5% in the quarter. And I think that's going to limit some of our bets. But we're really focused on just getting back to the point we were before, which is a growing profitable business.

Operator

[Operator Instructions] And your next question comes from the line of Matt Koranda of ROTH Capital.

Matthew Butler Koranda
ROTH MKM Partners, LLC, Research Division

A lot of might have been asked already. But I guess I'll ask the guidance question this way. What gives you the confidence that the Google changes are done and that we fix the issues in search, just kind of given the choppy nature of AI and the implementation over there?

Alec Davidian
Chief Financial Officer

Yes...

Garrett Smallwood
Chairman & CEO

It's a good question. I don't -- sorry, I want to take this one just because we've all been thinking about it.

Alec Davidian
Chief Financial Officer

Okay.

Garrett Smallwood
Chairman & CEO

We don't know if they're done. What I would say, Matt, is we are certainly feeling like we are better positioned for change. We're diversifying our partners, diversifying our own content, diversifying our own brand recognition, diversifying channels and just really aggressively going broad quickly along with real-time acknowledgment that things are changing in Google land.

The second thing is, I think intra-quarter, it was pretty obvious that Google was rolling out some bigger pieces. This Google AI Overview, for example, seems like that's going to be persistent and we're going to live with that. We could see that maybe expanding and maybe getting a bit more integrated. So we're thinking about that kind of first hand. But just generally, I think the magnitude of change seemed pretty significant in Q3 and now it's about adapting and learning and expecting that to continue and persist.

Matthew Butler Koranda
ROTH MKM Partners, LLC, Research Division

Okay. Great. Maybe just touch on some of the expanded or diversified channels that you're referencing, like sort of where are we seeing success? Where are we addressing that?

Garrett Smallwood
Chairman & CEO

Yes. So I think the first thing is we have to acknowledge that a significant number of websites were affected pretty -- almost like penalizing. So I think we had to acknowledge that certain partners are no longer going to be benefiting from Google. So we think we're re-ranking and reprioritizing the partners we work with and how much time we spend on them and how much time we spend on making sure they're successful.

The second thing is I think you'll see us diversify spend to -- more aggressively to other platforms like maybe more Facebook or I should say, Meta or more TikTok or even more Amazon ads. And the third thing is more aggressively -- and we talked about this before, really focusing on partnerships, premier partnerships that have great distribution advantage. We certainly benefit from our friends at Bright Horizons. There are other similar like partnerships, like Tractor Supply that have kind of consistent user base. And so I think all 3 of those things in combination will provide a more resilient wellness base.

Matthew Butler Koranda
ROTH MKM Partners, LLC, Research Division

Okay. Got it. And then just touching on the refi. I guess maybe just touch on or put a finer point on why the delay into the first quarter? Is it related more to the third quarter sort of hiccup that we've seen on adjusted EBITDA? Is it related to awaiting certain asset sales so that we kind of shore up the balance sheet a little bit further in terms of cash? Like maybe just what's the fundamental reason for the delay?

Alec Davidian
Chief Financial Officer

Thanks, Matt. A little bit of all of the above, just allowing the rebound to play out and seeing adjusted EBITDA settle. I think that's an important pattern. Finalizing where we are with the cash balance, depending on any asset sales that we may entertain and ultimately, that will drive the refinance. And if you do a refinance, you get locked in with prepayment penalties, which if you take too much cash in that situation, could work out detrimental to you. So we just want to be mindful of all of that and work through that to make sure we're making the right decision for ourselves and the shareholders.

Matthew Butler Koranda
ROTH MKM Partners, LLC, Research Division

Remind us, Alec, prepayment penalty, most of that had rolled off in August, I think, is that right? Or just refresh us on sort of where that stands?

Alec Davidian
Chief Financial Officer

Correct. Prepayment penalty for current debt has expired. My reference was for more when we refinance with a new loan, there will be new prepayment penalties, which is pretty much standard with any new loan for the first certain period.

Operator

And at this time, this concludes our question-and-answer session. I'll now turn the call over to Garrett Smallwood for closing remarks.

Garrett Smallwood
Chairman & CEO

Well, I want to thank the team for navigating an incredibly dynamic quarter, one we haven't seen before, frankly, in quite some time and thanks to the people who are no longer with Wag!. We thank them all for their contributions and everything they did. It's on each of us to continue to manage this business and stabilize, frankly, our key business parts and we're working tirelessly to do that. I cannot stress enough how much we appreciate the team's support during this dynamic time. With that, we appreciate your time today, and thanks so much.

Operator
Ladies and gentlemen, this concludes today's teleconference. You may disconnect your lines at this time, and thank you for your participation.