09-Feb-2023

Nautilus, Inc. (NLS)

Q3 2023 Earnings Call

CORPORATE PARTICIPANTS

John F. Mills
Managing Partner, ICR

James Barr
Chief Executive Officer & Board Member, Nautilus, Inc.

Aina E. Konold
Chief Financial Officer, Nautilus, Inc.

OTHER PARTICIPANTS

Sharon Zackfia
Analyst, William Blair & Co. LLC

John-Paul Wollam
Analyst, ROTH Capital Partners LLC

Steven Lee Dyer
Analyst, Craig-Hallum Capital Group LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Nautilus, Inc. Third Quarter 2023 Earnings Results Conference Call. All participants will be in a listen-only mode. After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note today's event is being recorded. I would now like to turn the conference over to Mr. John Mills with ICR. Please go ahead, sir.

John F. Mills
Managing Partner, ICR

Thank you, Paul. Good afternoon, everyone. Welcome to Nautilus' fiscal 2023 third quarter ended December 31 conference call. Participants on the call today from Nautilus are Jim Barr, Chief Executive Officer; and Aina Konold, Chief Financial Officer.

Please note this call is being webcast and will be available for replay for the next 14 days. We'll be happy to take your questions at the conclusion of our prepared remarks. Our earnings press release was issued today at 1:05 PM Pacific Time and may be downloaded from our website at nautilusinc.com on the Investors page. The earnings release includes a reconciliation of the non-GAAP financial measures mentioned in today's call to the most directly comparable GAAP measures.

Please note, we will be comparing results versus last year, fiscal 2022, and also versus fiscal 2020, as we believe comparing to the last pre-pandemic period is helpful in demonstrating our growth and progress. With today's call, we have a presentation that management will refer to during their prepared remarks. On slide 2 is our full Safe Harbor statement, which we ask everyone to read. You can access the presentation by going to the Investors page on our website and clicking on Events & Webcasts.

I would like to remind everyone that during this conference call, Nautilus management will make certain forward-looking statements. These forward-looking statements are based on the beliefs of management and information currently available to us as of today. Such forward-looking statements are not guarantees of future performance, and therefore one should not place undue reliance on them. Our actual results will be affected by known and unknown risks, trends, uncertainties, and factors that are beyond our control and ability to predict. For additional information concerning these factors, please refer to the Safe Harbor statement and to our SEC filings, which can be found in the Investor Relations section of our website.

And with that, it is my pleasure to turn the call over to Nautilus' CEO, Mr. Jim Barr.

James Barr

Chief Executive Officer & Board Member, Nautilus, Inc.

Thank you, John, and thank you all for joining us. Before I review our Q3 performance, I would like to highlight three key topics we will focus on during today's call. First, through our focus on operational excellence, we have implemented strategic margin management initiatives that drove significant gross profit and EBITDA improvement in the third quarter. Second, we are continuing to face headwinds in our Retail channel and have taken deliberate actions to address them and return to positive EBITDA in 2024. Third, we are confident in the long-term opportunity because we are on the right side of industry trends.

Turning to Q3, I'm pleased with the results we delivered. Q3 net sales were $98 million with Direct sales up 30% compared to Q3 fiscal 2020. Growth was driven by our broad portfolio of strength and cardio offerings, reinforcing our strategic advantage of being able to offer products in both. Our strategic actions to enhance supply chain and improve our inventory position are yielding margin improvement. As such, gross margins for the third quarter expanded 300 basis points year-over-year, largely driven by our planned improvements in inventory levels.

In Q3, we continued to reduce our operating expenses, driven by our efforts to optimize and lower advertising spend. These results translated to continued improvement in our adjusted EBITDA, with Q3 adjusted EBITDA loss reducing by 67% year-over-year.

We see continued momentum in our differentiated digital offering. We added more than 50,000 JRNY members in Q3, reaching approximately 450,000 total JRNY members, an increase of over 88% compared to the same period last year. Of these members, 156,000 were subscribers, representing 134% growth year-over-year.

While we continue to see solid demand in our Direct business, and with sales up 30% to Q3 fiscal 2020 and momentum on JRNY, the Retail headwinds that we've been discussing at length have persisted. This resulted in Retail net sales decline of 6% compared to Q3 fiscal 2020, excluding sales related to the Octane brand. Retailers continue to take a conservative approach across many categories, including home fitness, as a result of inventory positions and uncertainty in the near-term economic environment. So while sell-through to consumers at Retail is progressing, we are seeing lower levels of reorders, which is impacting our outlook for our Retail segment in the fourth quarter and likely into the first half of fiscal 2024.

We have taken additional near-term steps to rightsize our business to reflect our current expectations. With our strong market share and having significantly increased the number of retailers and retail doors over the past couple of years, we believe the Retail channel will remain an important long-term component of our business model as the macro environment stabilizes.

As part of our ongoing commitment to operational excellence, we have driven operational efficiencies across our business, including enhancements to our supply chain, improvements to our inventory management, and optimization of our advertising spend. As challenges in the Retail business persist, we have taken additional proactive steps to reduce our costs by an expected $30 million on an annualized basis.

We operate an asset-light, semi-variable operating model, which enables us to adjust our cost structure to align with demand trends. Leveraging the flexibility of this operating model, we reduced our contracted labor. Separately, we also implemented a reduction in our workforce by about 15%. These actions, while difficult, are grounded in our priority to continue to align our cost structure with our revenue expectations and are aimed at driving profitability and improving cash flow.

We are also taking the necessary steps to strengthen our balance sheet. We continue to improve our inventory position per our plan. Inventory was $77 million at the end of Q3 fiscal 2023, down 40% versus Q3 last fiscal year. And we expect inventory levels to come down further in the coming quarters. We are implementing cost reduction initiatives aimed at improving cash flow, and we believe we have the right levers to pull to maintain our balance sheet.

We are actively managing near-term challenges within the business, while maintaining – while remaining committed to our North Star strategy, which is made up of five key pillars: adopt a consumer-first mindset; scale a differentiated digital offering; focus investments on our core businesses; evolve our supply chain to be a strategic advantage; and build organizational capabilities to win.

We have made strong progress on all these pillars over the past two years, and I firmly believe we have set the foundation for our path to becoming a leader in connected fitness by leveraging our equipment business and scaling a differentiated offering.

At our core we excel at equipment. We continue to see demand for our fast-moving top-sellers and traction in our Direct channel. Our focus remains on providing consumers with a broad variety of superior products at a range of price points. We have an exciting pipeline of new products planned for calendar year 2023, with a strong lineup of updated connected fitness equipment carrying our innovative new Bowflex visual branding.

It's important to stress that we make money in the equipment business, and this will be key to our path back to profitability. At the same time, we've continued to enhance and scale our differentiated digital offering JRNY, enabling us to better serve our customers and capture long-term revenue and profit. While we have made – we have made tremendous progress in bringing hyper-personalized experiences to JRNY members. We recently debuted JRNY with Motion Tracking, which offers personalized form coaching and feedback, rep counting, and individualized workout recommendations.

This enhances our strength offerings with workouts that are designed for use with Bowflex SelectTech 552s and Bowflex SelectTech 1090 Dumbbells and can be used on Android and iOS tablets. We continue to target approximately 500,000 members by the end of the fiscal year, which implies approximately 54% year-over-year growth in fiscal 2023. We are also seeing progress on conversion to paid subscribers, which are growing faster [ph] than members (09:55).

The groundwork for JRNY is laid, thanks to our investments to date, which enables us to reduce near-term spend while continuing to drive consumer adoption. Moving forward, we will be disciplined in our investments in JRNY with a focus around quality, personalization, and adaptability. We have conviction in the long-term opportunity of home fitness. Our research shows that the shift to home exercise remains steady now for two-plus years. Over 65% of US adults recently surveyed continue to say they work out at home, up from 43% who reported the same at the beginning of 2020.

In our target segments, this trend is even more pronounced, with about 85% working out at home. This is a prevailing shift in trends, and Nautilus is well-positioned to take advantage of this sustainable increase in demand in our long-term addressable markets.

I would also like to touch on our updated outlook, on which Aina will expound. Due to the current economic environment and the conservative position of our Retail partners, we are lowering our previous revenue and profitability expectations for the remainder of fiscal 2023. We are taking the necessary actions that will best position us to operate more efficiently, minimize cash consumption, return to profitability, and ultimately progress towards our goal of being EBITDA positive for fiscal 2024.

I will now turn it over to Aina, who will give us more detail on the third quarter results and the guidance for the full year. Aina?

Aina E. Konold

Chief Financial Officer, Nautilus, Inc.

Thank you, Jim, and good afternoon, everyone. Today I'll be speaking to total company results for Q3 fiscal year 2023 and will provide guidance for full year fiscal year 2023. Please visit our Investor Relations website to view our press release and the slides accompanying this call for more information on Q3 and year-to-date results. Given the unique nature of last year's results, we'll be comparing this year's revenue to fiscal year 2020 to gauge our growth and overall company improvements versus more normalized pre-pandemic results.

Turning now to slide 8, total company P&L results for the quarter with comparisons primarily to last year. Net sales for the third quarter were $98 million, down 33% versus last year and up 9% versus the same quarter in fiscal year 2020, excluding Octane. Our Direct segment grew 30% versus the same quarter in fiscal year 2020, while the Retail segment declined by 6%.

Gross profit was $23 million, and gross margins were 23.3%. Gross margins were up 3 percentage points from last year and up sequentially 6 percentage points to last quarter. As Jim mentioned earlier, we've executed on several initiatives aimed at driving operational efficiency. In addition, we've lapped unfavorable pandemic-related supply chain costs. We are pleased that our equipment gross margins are beginning to return to more normalized levels.

I'll now review the drivers of this quarter's gross margin improvement from last year, up 2 percentage points due to improved product costs, and up 3 percentage points due to decreases in inventory adjustments. These improvements were partially offset by 1 point of deleverage of logistics overhead, 1 point related to higher outbound freight, and 40 basis points of deleverage in JRNY investments which were lower in dollars year-over-year.

Turning now to adjusted operating expenses, the next few lines of the P&L have been adjusted to exclude acquisition and other costs related to the purchase of VAY and last year's legal settlement. Please see our press release for a reconciliation to GAAP. Adjusted operating expenses were $33 million, down 33% versus last year's $49 million. The primary driver of the decrease was lower media spending, which was $10 million versus $22 million last year. Adjusted operating expenses, excluding advertising, were $23 million, down 13% versus last year, even with continued investments in JRNY, which dollar spend was down slightly versus last year.

We controlled variable expenses across all functions to ensure that they remained in line with lower sales. Adjusted operating loss was $10 million, compared to $19 million last year, and adjusted EBITDA loss from continuing operations was $5 million, a $10 million improvement compared to last year's loss of $15 million.

Turning now to the balance sheet as of December 31, cash was $17 million. Per our plan, quarter ending inventory was $77 million, down 40% versus last year and down 30% versus year-end fiscal 2022. About 18% of our inventory at 12/31 was in-transit, and continues to be weighted to our bestselling SKUs. AR was $43 million and trade payables were $35 million, both down from year-end. Debt was $60 million. We had $27 million available for borrowing, bringing our liquidity at the end of December to $44 million.

We're introducing free cash flow to enhance our disclosures around our balance sheet and liquidity. At 12/31, free cash flow was negative $5 million in the quarter, an improvement of $2 million versus last quarter and an improvement of $34 million versus last year. While we recognize the headwinds impacting our business, we feel good about the levers available to us to continue to support our balance sheet.

As Jim said earlier we've implemented additional cost reductions to keep us on path to profitability despite market headwinds. We've structured our operating model to give us flexibility to respond to evolving market dynamics, to take advantage of attractive demand trends, and streamline in softer periods.

Consistent with this approach, we are proactively realigning our cost structure to support our current expectations for the business. As such, we've reduced our contracted labor, and yesterday implemented a reduction in force which affected about 15% of our employees. As a result, we expect to recognize annualized cost savings of approximately $30 million beginning in Q4 fiscal year 2023. We also expect to incur restructuring and other one-time charges of approximately $3 million over the next six months, between Q4 fiscal 2023 and Q1 fiscal 2024.

We believe these actions better position Nautilus to manage through near-term headwinds in our Retail segment, while continuing to drive performance in Direct and serve our growing base of JRNY members.

Turning now to guidance for the rest of the year, our revised guidance reflects lower expectations in the Retail segment, as our Retail partners have taken very conservative inventory positions amid an uncertain macro environment. As a result, we are lowering full-year revenue guidance to about $270 million, which implies Q4 revenue of about $52 million.

Given the adjustment to our revenue expectations, we are now guiding to full-year adjusted EBITDA loss of approximately $50 million, which implies Q4 adjusted EBITDA loss of about $15 million. Our adjusted EBITDA guidance excludes the impact of about $3 million of restructuring costs. Lastly, we continue to target approximately 500,000 JRNY members at year-end 2023.

While we expect Retail headwinds to impact sales for the first half of 2024, the cost actions we've already taken give us the flexibility to navigate the near term and keep us on path to improving cash flow and returning to profitability.

I'll turn it now back to Jim for his final comments.

James Barr

Chief Executive Officer & Board Member, Nautilus, Inc.

Thank you, Aina. For the near term, we are taking necessary actions to realign our cost base while executing on ongoing strategic margin management initiatives. We recognize the impacts some of these actions have on our employees and are focused on supporting those impacted. I want to thank both our current and departing employees for all that they have done to advance Nautilus' noble mission to build a healthier world one person at a time.

Looking further ahead, we are confident in the long term because we are on the right side of industry trends as we continue to execute on our vision of being a leader in connected fitness. We excel at equipment and are building and scaling a strong differentiated digital platform. The shift to home fitness remains solid, and we see an attractive opportunity for upside over time.

Lastly, our comprehensive review of strategic alternatives is ongoing, and our board remains focused on identifying partner opportunities to accelerate the company's strategic transformation and enhance shareholder value. We have no additional information to share regarding this process at this time.

And with that, I'd like to turn it over for questions. Operator?

Aina E. Konold

Chief Financial Officer, Nautilus, Inc.

Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Thank you. Our first question is from Sharon Zackfia with William Blair. Please proceed with your question.

Sharon Zackfia

Analyst, William Blair & Co. LLC

Q

Hi. Good afternoon. I guess I was hoping to get some clarity on the Retail channel. And I'm sorry if you mentioned this, but how are inventories in the Retail channel? Is it just a matter of retailers being cautious, or are they still over-inventoried? And then I guess, kind of with that question, as you look for this decline in revenue in the March quarter, I mean, how should we dimensionalize or think about the delta between the Direct and Retail channels as we're here in the March quarter?

James Barr

Chief Executive Officer & Board Member, Nautilus, Inc.

A

Sure, I'll start and then I'll kick it to Aina for the second part. Sharon, it's a good question. Retailers continue to sell down. So we are seeing active sell-through through the Retail channel, not as much as we'd like it to be, but we've continued to see that all the way through the end of the fitness season. I think that really what we're seeing is this very cautious nature where retailers are kind of acting, instead of acting as they would normally act, I'll call it sales optimizers and margin optimizers. They're willing to stock out on certain products in order to just drive down their overall inventories, and not just in our category but in several categories. So, when faced with those choices, they're choosing more often to continue to drive down their inventory levels and not take on much more inventory.

And then as we kind of looked at the outlook, as you get to the end of our fitness season as you well know, where things start to tail off a bit at the end of the January, and this is kind of our low period between kind of right now and when they start to reorder for next year. Then you have realization that it's probably not going to cut. If they've been conservative so far, they'll probably continue to be somewhat conservative. And we baked that into our outlook, and that's why it has changed quite dramatically from the last time we spoke.

And we've taken the actions we think are necessary to address that, so that no matter how long that takes to come back, since that's uncertain, that we are here to address that. It's also – I'd also say there hasn't been anything structural change. So it's not like retailers have dropped the product, dropped the number of doors, or any retailers dropped the category altogether. So that structurally has held up. It's just this conservative nature of reordering that's been at play here. And then, Aina, maybe you could...

Aina E. Konold
Chief Financial Officer, Nautilus, Inc.

A

Yeah. The one thing, Sharon, maybe to help you, I want to just reiterate that the reduction in our Q4 expectations is really primarily driven by Retail.

Sharon Zackfia
Analyst, William Blair & Co. LLC

Q

Okay. Thank you.

James Barr
Chief Executive Officer & Board Member, Nautilus, Inc.

A

Sure. Thanks, Sharon.

Operator: Thank you. Our next question is from JP Wollam with ROTH MKM. Please proceed with your question.

John-Paul Wollam
Analyst, ROTH Capital Partners LLC

Q

Hi, Jim. Hi, Aina. Thanks for taking the question. Maybe if we could just start high level. It's perhaps a little follow-up from the first question, but maybe what are some of the biggest takeaways from the holiday season, whether that's on the equipment you're selling, whether that's where buyers are meeting your product? Just kind of as we move into the last quarter here and into next year, what are the biggest takeaways we saw over the holidays?

James Barr
Chief Executive Officer & Board Member, Nautilus, Inc.

A

Yeah. I mean, so talking about Q3, including the holiday period, we had a strong Black Friday start and really Direct held up for the entire quarter, up 30% as we mentioned versus pre-pandemic. We continue to be able to both discount products to be competitive and increase our gross margins while we were doing that, and that allowed us – other things down the income statement allowed us to also reduce the EBITDA burden.

We definitely managed down our inventory, so you can see that. I think that's a highlight of the quarter. I mean, this continues to be from, I think, a peak of $160 million down to $77 million at the end of last quarter, and even lower now as we sit here in early February. So I think that's part of it. And we continued to make progress on JRNY. I think those are kind of the highlights of that holiday season. And then we did start to see that Retail, Retail down 6%. So we started to see a little bit of that. But most of what we're reacting to is our forecast, what we think will happen going forward, and we're trying to proactively get ahead of that.

So, I think, again, kind of a solid Q3. But when we look at Q4, really all about Retail and retailers not acting like they would normally act, we think that would regulate over time. But right now, we have to be smart in the way we address that, and we've taken those actions to do just that.

So, Aina, anything? No?

Aina E. Konold
Chief Financial Officer, Nautilus, Inc.

A

No.

James Barr
Chief Executive Officer & Board Member, Nautilus, Inc.

A

Okay.

Aina E. Konold
Chief Financial Officer, Nautilus, Inc.

A

You covered it, Jim.

James Barr
Chief Executive Officer & Board Member, Nautilus, Inc.

A

So I don't know if you had a follow-up, but hopefully I answered your question.

John-Paul Wollam
Analyst, ROTH Capital Partners LLC

Q

Yeah. Yeah. That's helpful. Maybe kind of as a follow-up there, when we think to kind of the best of your understanding about sort of the market share in at-home fitness, without trying to quantify any one company's market share, I guess maybe over the holidays, how would you categorize your market share relative to your expectations going into the season?

James Barr
Chief Executive Officer & Board Member, Nautilus, Inc.

A

It's a great question. And as you well know, it's very difficult to get the denominator for this industry. We spend a lot of time with our own numbers and science, a number of other alternatives in trying to calculate that. We think – I think we've – as we talked before, we talked about the – at the peak of the pandemic, we think this market size probably tripled, double-tripled, and now it's come down. We think it's still about 20%, 25% ahead of where it was pre-pandemic. So it's still relatively high. And if you take that as a given and we measure our performance versus our competitors, we picked up share pretty steadily as the market declined.

We had a lot of market share win. Everyone was buying everything. As things have come down over time, I think you start looking at people looking at the brands they know and trust, and you look at our product portfolio, which is very choiceful in the price points and the options that they offer consumers, and then JRNY being a value relative to other connected fitness experiences.

So, that's kind of how we're [ph] viewing things (27:06). We believe we picked up market share during that period, and we're quite proud of it. I mean, nobody is taking victory laps as the market decreases, but we knew this was coming. We knew there were some kind of regulation over time. And so, that's as far as we know it. We've picked up share. At times during the pandemic, we were number one in unit share. I was just speaking to dollar share at times during the pandemic, we're number one. We think we're either number one or number two now in unit sales. And that's helped out a lot by our 552 dumbbells.

John-Paul Wollam
Analyst, ROTH Capital Partners LLC

Q

Great. Thank you.

James Barr
Chief Executive Officer & Board Member, Nautilus, Inc.

A

Thanks, Jim.

Operator: [Operator Instructions] Our next question is from Steve Dyer with Craig-Hallum. Please proceed with your question.

Steven Lee Dyer
Analyst, Craig-Hallum Capital Group LLC

Q

Great. Thanks. Good afternoon, Jim and Aina. With respect to the $30 million of cost savings, could you sort of break out where we should expect to see that from between COGS and the different categories of operating expenses?

Aina E. Konold
Chief Financial Officer, Nautilus, Inc.

A

A great question. Thank you. So, as we said, this was a proactive choice to rightsize our model to lower revenue expectations. So you're really going to see the cuts enterprise-wide. Now some of our functions are part of COGS, so you'll see most of them coming through OpEx, but some of it coming through COGS. And then incrementally, the lapping of those supply chain headwinds will result in margin expansion in the upcoming quarters as those costs are shed. And we can now benefit from lower input costs, and also, tailwinds now in supply chain, like inbound freight costs being down compared to the pandemic highs.

Steven Lee Dyer
Analyst, Craig-Hallum Capital Group LLC

Q

Got it. Okay. And I would expect, I mean, you've already taken down your selling and marketing by quite a bit. I would expect that that's going to – there's probably not much left there for Retail selling and marketing. It's probably largely to support the Direct business.

Aina E. Konold
Chief Financial Officer, Nautilus, Inc.

A

It's enterprise-wide. And – but the one thing that I will tell you, because we are pleased with how Direct performed, especially in the last quarter, we're going to make sure that they remain supported as they continue to drive performance and support our JRNY members.

Steven Lee Dyer
Analyst, Craig-Hallum Capital Group LLC

Q

Got you. So as you look forward to next year, just playing around with the model, it's hard to get sort of anywhere near EBITDA profitable or EBITDA breakeven. Obviously, the $30 million is a chunk of that. But that would imply some fairly meaningful revenue growth for next year. And I know you're not guiding to next year, but is that sort of part of the assumption, or the plan is that that you guys will grow pretty meaningfully next year?

Aina E. Konold
Chief Financial Officer, Nautilus, Inc.

A

So we're not guiding to 2024 revenue right now, but I will remind you that we have gross margin expansion coming from reduction in supply chain costs. So a lot of what happened to us starting in latter part of fiscal year 2022 with all those supply chain market issues, like high inbound freight costs, the detention and demurrage costs that we've talked about that we've now lapped and are no longer in there. Our standard costs are much lower than they were, and that's really going to drive margin expansion. So the path to profitability is a combination of these cost cuts we've already taken and then continued margin expansion.

Steven Lee Dyer
Analyst, Craig-Hallum Capital Group LLC

Q

Okay. Got it. And then lastly for me, as you look at the next 12 or 18 months, should we expect any new products or modalities from a hardware perspective, or is all of your – some of your investment pretty tightly focused on improvements to JRNY?

James Barr
Chief Executive Officer & Board Member, Nautilus, Inc.

A

No. In fact, the contrary, we excel at the hardware business. We know our path back to profitability centers around continuing to be good at creating great hardware and selling it. And as I mentioned on the call, we do have some really exciting new products coming out for this holiday, I'd say calendar 2023, we're not prepared to announce what those are yet for that reasons but we are very, very excited about that.

And they're also going to be wearing our new visual brand language, which we know a lot more externally – or internally than you know externally. But we are taking a really – we've invested in taking the Bowflex brand to a new level, and really have changed the branding and the brand identity, and that's going to come across on this equipment.

We're learned a lot in the pandemic about how people are using equipment, which rooms of the house it's migrated to, how many pieces people are buying. All of these things have changed profoundly. And so, you'll see our lineup for calendar year 2023 reflecting all of those learnings, and we're very, very excited to launch these products, and then keep going with the same in 2024 and beyond. But [indiscernible] (32:22).

We'll continue to scale our differentiated digital offering. But we think, look, connected fitness is our play and connected fitness isn't JRNY. Connected fitness is our equipment portfolio paired up with JRNY, and that's what consumers want. That's what our target wants. And we will continue to deliver both those things.

Steven Lee Dyer
Analyst, Craig-Hallum Capital Group LLC

Q

Got it. Okay. Thanks for the time. Good luck.

Operator: Thank you. There are no further questions at this time. I'd like to turn the floor back over to Jim Barr for closing comments.

James Barr

Chief Executive Officer & Board Member, Nautilus, Inc.

Thank you, Paul, and thank you all for joining us today. We look forward to speaking to you again following our fourth quarter results. Everyone, have a good day, onwards and upwards.

Operator: This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.