Brookfield Residential Properties Inc.

2013 Second Quarter Results Conference Call & Webcast Transcript

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Speakers:

Alan Norris
President and Chief Executive Officer

Craig Laurie
Executive Vice-President and Chief Financial Officer

OPERATOR:

At this time, I would like to turn the conference over to Mr. Alan Norris, President and Chief Executive Officer. Please go ahead, Mr. Norris.

ALAN NORRIS:

Thank you very much. Good morning, ladies and gentlemen, and thank you for joining us today for Brookfield Residential's Second Quarter conference call. On the call today I will provide some comments about the current market conditions and will highlight some of our accomplishments this quarter and provide our outlook going forward. With me today is Craig Laurie, our Chief Financial Officer, who will discuss our financial and operational results.

I would, at this time, remind you that in responding to questions and in talking about new initiatives and our financial and operating performance, we will make forward-looking statements. These statements are subject to known and unknown risks, and future results may differ materially. For further information, I would encourage investors to review the corporate profile on our website.

We achieved solid financial performance in the second quarter and first six months of 2013 with revenue and net income results continuing to build. Importantly, our outlook for the balance of the year points to even stronger performance in the second half of the year. Our backlog value at the end of the second quarter was up 38% from the same period in 2012, reflecting the continued improvement in the U.S. housing market. We believe that this improvement, coupled with the delay in closing several transactional items from Q2 to Q3, will result in the second half and full year of 2013 being significantly stronger than in 2012.

Our Canadian markets are performing at levels similar to last year, as we anticipated. Oil prices in Alberta remain in the $100 per barrel range, and future capital projects in Northern Alberta remain on track, which will require an ongoing need for more skilled workers to move to the province, thereby further stimulating the housing market.

In regards to the recent flooding that happened in Calgary, we were very fortunate as our office was located outside of the flood zone and there was very little direct impact on our communities and housing assets, with our projects suffering only minimal damage. Many of our employees volunteered to help in Calgary's clean-up efforts and assisted the thousands displaced by the floods, and the city is again functioning at a near normal level.

Going forward, we anticipate some indirect flood-related impacts on our operations. Certain transactions scheduled for the second quarter were delayed to the third quarter, and we could see a ripple effect on the timing of other transactions throughout the year, but we do not expect these impacts to be material.

In our U.S. operations, the housing market conditions continued to improve during the first half of 2013, and we've experienced price appreciation in all of our markets, albeit at different rates of growth. Although there has been some volatility in U.S. mortgage interest rates, we have seen no appreciable effect to this point.

Our strategy in this rising U.S. market includes not pre-selling lots and houses, which would either give the lot price upside to our home builder customers, or in case of housing, run the risk of eroding our margin by locking in price while subjecting ourselves to potential future cost increases. We also continue to complete re-entitlements of certain previously on-hold projects in the U.S. and bring them to market, which we anticipate to occur later this year, thereby setting ourselves up very well for 2014 and beyond.

The Eastmark project in Phoenix, which was the gateway to enter our newest market, held a grand opening weekend that was attended by over 5,000 people. This positive turnout reinforced our decision to enter into this market via a 50/50 joint venture, and I believe that our experience in developing and marketing large mixed use developments throughout North America will add significant value to the project going forward.

Our outlook for the balance of 2013 and beyond remains positive. We see strong upside potential in the U.S. housing market as momentum accelerates and house prices rise. We also expect our U.S. land assets will continue to appreciate in value. The Canadian market is expected to be generally stable, with our market share in Alberta continuing to be a strong contributor to our results. In many of our markets, we continue to complete re-entitlements of certain projects which we expect to bring to market later this year, thereby setting ourselves up well for 2014 and beyond.

As stated previously, by 2015 we anticipate profitability from our U.S. operations will approach the levels currently seen in Canada, providing the market recovery continues.

I'll now pass the call to Craig. He'll speak to our strategic capital initiatives in the second quarter, as well as our financial results.

CRAIG LAURIE:

Thank you, Alan, and good morning, everyone. On the capital front, the second quarter was another very active quarter. We successfully raised to a private placement offering $500 million of unsecured senior notes due in 2022 with an interest rate of 6.125%. The net proceeds were used to repay approximately $264 million of project level U.S. debt and with the remainder added at cash to the balance sheet. The transaction also extended the maturity of our debt and simplified our capital structure.

On August 2nd, 2013, the Company finalized a new U.S. revolving credit facility with six major financial institutions. The credit facility allows borrowings in an aggregate of up to $250 million. Since Brookfield Residential launched as a merged company on March 31st, 2011, we have raised $1.1 billion in unsecured senior notes, issued $233 million of common shares, and added as additional $250 million of liquidity into the revolving credit facility. These steps taken to enhance liquidity places the Company in a great position to continue to participate in opportunities as the U.S. housing market recovers.

Our financial results in the second quarter improved over the same period last year. Net income attributable to growth in residential is $24 million, or $0.21 per diluted share, for the three months ended June 30th, 2013, and $29 million, or $0.24 per diluted share, for the six months ended June 30th, 2013. These increases of $2 million and $7 million, respectively, when compared to the same periods in 2012, are primarily the result of increased gross margin from higher house sales combined with a decrease in income tax expense, which was partially offset by higher sales and marketing costs and general and administrative expense.

Gross margin for the three and six months ended June 30th, 2013, decreased as a result of lower land margins, partially offset by higher housing margins when compared to the same period in 2012. This is due to a lower land gross margin percentage on the sale of a 216-acre raw and partially unfinished parcel in Canada in the second quarter. Taking this into consideration, our adjusted land gross margin for the three months ended June 30th was 48%, and for the six months, 51%.

For the three months ended June 30th, 2013, land revenue totaled $105 million, a decrease of $5 million when compared to the same period of 2012, primarily due to 55 fewer lot closings. Our land revenue may vary from period-to-period due to the nature and timing of land sales, as well as the product mix and market conditions, which have an impact on the average selling price per lot.

For the six months ended June 30th, 2013, land revenue totaled $157 million, which was an increase of $4 million when compared to the same period in 2012. This was due to 25 more single-family lot closings when compared to the same period in 2012.

Land gross margin was $41 million for the three months and $69 million for the six months ended June 30th, 2013, a $10 million and $5 million decrease, respectively, when compared to the prior year. This was due to fewer lot sales in the quarter, which was partially offset by an increase in average selling price, primarily in our Central and Eastern U.S. market.

Housing revenue was $193 million for the three months and $312 million for the six months ended June 30th, 2013. The increase of $55 million and $85 million, respectively, over the comparable periods in 2012 were the result of 105 and 148 additional home closings, respectively. The largest increase in both periods was from our California operations.

The housing market in our Canadian segment remains strong, with an increase in closings in Alberta, offset by a slight decrease in closings in Ontario due to the timing of closings. In the California segment, there was strong activity, with $85 million of housing revenue for the three-month period ended June 30th, 2013, an increase of $61 million when compared to the same period in 2012. The increase in revenue was due to an increase of 92 home closings and an increase in home selling prices. The Central and Eastern U.S. segment continued to show increased activity, particularly in the Washington D.C. market.

For the three and six-month periods, gross margin increased $14 million and $21 million, respectively, as a result of a 30% and 24% increase in home closings and a 7% and 11% increase in the average selling price, respectively, when compared to the same period in 2012.

In the three months ended June 30th, 2013, home building deliveries increased 30% to 460 units compared to the second quarter of 2012. An average home selling price was $420,000 in the second quarter of 2013 compared to $391,000 for the same period in 2012. For the six months ended June 30th, 2013, home building deliveries increased 24% to 754 units compared to the same period in 2012. The average home selling price was $414,000 for the six months ended June 30th, 2013, compared to $374,000 for the same period in 2012.

New home orders for the three and six months ended June 30th, 2013, totaled 665 units and 1,340 units, an increase of 48 and 231 units, or 8% and 21%, respectively, when compared to the same periods in 2012. The increase was a result of a stable market performance in Canada and recovery in our U.S. markets. With demand increasing and supply being constrained, we are seeing upward pressure in many U.S. markets. Our backlog of 1,398 units, representing $619 million of value, rose 24% and 38%, respectively, compared with the second quarter of 2012. The average price of homes in our backlog was $443,000 as at June 30th, 2013, compared to $397,000 as at June 30th, 2012. Our active housing communities also increased to 41, up from 32 in the second quarter of 2012.

Our selling, general, and administrative expense was $40 million for the three months and $76 million for the six months ended June 30th, 2013, an increase of $11 million and $20 million, respectively, when compared with the same period of 2012. This was due to an increase in labor costs and headcount resulting from increased activity and higher sales and marketing expense as a result of increased activity in both Canada and the U.S. When compared to the first quarter of 2013, the general and administrative component of the expense was relatively consistent, with most of the increase driven by the higher sales and marketing expense linked to the increased activity.

Moving to our balance sheet, as at June 30th, 2013, our assets totaled $3.27 billion, which is an increase of $445 million compared to December 31st, 2012. Our land and housing inventory and investments in unconsolidated entities are our most significant asset, with a combined book value of $2.65 billion, or approximately 81% of our total assets. Our land and housing assets increased due to acquisitions of $236 million, development activity, and stronger backlog, partially offset by sales activity. As at June 30th, 2013, we controlled 112,927 single-family lots, which included serviced lots and future lot equivalents and 176 multi-family, industrial and commercial service parcel acres.

As Alan discussed, our outlook for the year is positive and we anticipate that income before income taxes for 2013 will be measurably higher than 2012. We're able to offer the following limited operational guidance for 2013.

Our Canadian operations are projected to close approximately 1,400 single-family lots; 100 acres of multi-family, commercial, and industrial parcels; as well as 1,350 homes. Our U.S. operations are expected to close approximately 800 single-family lots; 30 acres of multi-family, commercial industrial parcels and 1,000 homes, which includes our share of unconsolidated entities. This limited guidance does not include material bulk lot sales or other transactions that may occur in Canada or the U.S.

Thank you for joining us in our quarter end conference call. I'll now turn the call back to the Operator, who will moderate questions.

OPERATOR:

Thank you. We will now begin the question-and-answer session. Your first question today is from Sam McGovern with Credit Suisse. Please go ahead.

SAM MCGOVERN:

Hey, guys, thanks for taking my questions. I was hoping you guys could talk a little bit about the rising interest rate environment. Have you guys seen much of an impact on the U.S. operations there? How much of that really impacted you?

ALAN NORRIS:

Sorry, I just missed you at the end there, Sam, but basically just asking about volatility interest rates, as that affects our customers?

SAM MCGOVERN:

Yes, that's correct.

ALAN NORRIS:

We haven't really seen an appreciable change or drop-off with respect to that at this point in time. I mean, typically at any time where you get some volatility, it does pull people off the fence, as we all know, but generally speaking, we still think there's a ways to go in the affordability, albeit does—yes, it is a start of a movement on interest rates, without question, but how long it takes, who knows? But nothing appreciable on our operations at this point.

SAM MCGOVERN:

Got it, and then you talked a little bit about rising prices. I mean, are you guys still finding attractive opportunities when you guys look at purchasing land, or are you finding that IRR projections are declining a little bit as prices rise?

ALAN NORRIS:

I think from a U.S. perspective, I think still at the finished lot stage it's very challenging to do things without grinding away on IRR - we do believe others are building in escalation and we're not looking to that process. I would say that further back in the supply chain there's still opportunities, so further back in finished lot stage, whether it be raw, entitled, or partially finished, or going back even on an un-entitled, obviously, which there's very few people playing in that side of the market.

SAM MCGOVERN:

Got it, and I know you guys entered the Phoenix market. Are there other regions that you're looking at? And to the extent you do move into other regions, do you think joint ventures are the way you guys would approach it, or would you, you know, just go and sort of extend your operations fully into the markets?

ALAN NORRIS:

Yes, I think the joint venture was a perfect opportunity, just because of the strong partner that we have in Phoenix; they've been there for over 30 years. So, it doesn't have to be through JVs going into new markets, but that was a good opportunity to enter that market with such a strong partner. We think we can bring equal value to that venture because of our experience in mixed use development. So I think if we're looking at other markets, we don't actually have to, I mean, you're probably looking at more from an acquisition company-wise, if you were doing something, as opposed to, you know, piecemeal, but we've still got lots of opportunities in existing markets right now which we think we can maximize as we go forward.

SAM MCGOVERN:

Got it, and just on the housekeeping side, what was liquidity, total liquidity, at quarter end, and what would it be today with the new revolver in place?

ALAN NORRIS:

I think we're sitting roughly, with unused lines – Craig should be speaking to this – but I think right now we're sitting close to $900 million. Is that right, Craig?

CRAIG LAURIE:

Yes, so we obviously added the $250 million on August 2nd, and so that would be the big differential. It's about $950 million, including cash on the balance sheet, undrawn lines, both in Canada and the U.S.

SAM MCGOVERN:

Got it, perfect. Thank you, guys, and I'll pass it along.

ALAN NORRIS:

Thanks, Sam.

OPERATOR:

The next question is from Adam Rudiger with Wells Fargo Securities. Please go ahead.

ADAM RUDIGER:

Hi, thank you. I wanted to follow up on some of your comments on timing. I understand why maybe there were some timing issues in Calgary, but you mentioned Ontario. What was the timing issues there, and then back to Calgary for a second, do you think there was a order impact in late June in Calgary?

ALAN NORRIS:

So, going on the Ontario stuff, I think really, some of it is really just some timing. We also had some small partial sales that we were planning in Q2 which did not occur and just some drag. I mean, our closings are going to be higher in Ontario this year overall, we think, Adam, and it's really just that it just got dragged a little bit with some later entitlements as to when we got on the ground and got the permits to start building the homes. But all-in-all, it should all catch up by year end, so there'll be no concerns with respect to where we anticipated the year to be.

And with respect to Calgary, we did slide a few things just because of a few flood-related things, and on some other initiatives. People were delaying on getting permits on some partial sales, some funding, and some things slid into July versus June. So it's nothing we should be concerned about from an overall point of view, but it does further back-end load our numbers which are already back-end loaded, as we all know.

ADAM RUDIGER:

Okay, and then on the Alberta 216-acre land sale, if I back into that, it sounds like it was a low 20’s gross margin. I was just curious why that was so far below other Alberta land deals and as it relates to your guidance, was that in that bucket of one-time land sales, or is that included in what you talked about in lot sales?

ALAN NORRIS:

Well, I'll just touch on the background on the 216 and then Craig will touch on the margins. But what we were doing was selling off to several parties some future lands that we wanted some alignment with respect to going forward. So it was a piece that still requires entitlement, and that's why there is still…it's a lower margin as opposed to coming all the way through to a finished lot stage, and so that's the reason why it's a lower margin. But we think from an alignment point of view, it made sense to align these parties with us for the 650. The overall community is a 650-acre community, and we get alignment on all of it here with some partners going forward. So it's a very positive business development and I'll let Craig touch quickly from a margin point of view and also just as to the 216 included, I mean, not included in the limited guidance numbers.

CRAIG LAURIE:

Yes, so Adam, just to your point, it would be outside of the operational guidance that I referenced.

ADAM RUDIGER:

All right. Okay, then last question, I recognize you haven't seen a real immediate impact yet from rising rates, but as we move through the summer and let's say rates keep rising and…what are you going to be watching to determine the pace of your land sales this year, next year, and the year after? I think we're seeing somewhat of a, at least in the eyes of investors, a recalibration of expectations, maybe, given some rising rates and some comments from some other builders. So, I was wondering what it would take you and what you're watching to recalibrate your expectations and then what the corresponding reaction would be in terms of your appetite for selling land.

ALAN NORRIS:

I think there's a number of factors at play there, Adam. One, as we've said in previous calls, we know that additional supply would be coming on in most of the markets where we do business, which we always believed would flatten out prices somewhat. We're firm believers that the price movement before was not sustainable at the pace it was going at in most of the markets. So, increased supply is going to flatten some of that out, perhaps some nervousness on rates but everybody's known that rates are going to go up at some point-in-time; that's not something that the consumer is surprised at. We continue to reevaluate our backlog, the qualifying income that we have for our customers as to what level of sensitivity we could have from a pricing point of view as to whether it kicks people out of their eligible factor for buying homes or whether it keeps them in, based on different sensitivities on interest rates. So, we have to look at a number of factors. I'm hopeful that…we do know that rates will go up. But I do believe that they have to be justified by improved economic environment in the overall U.S. marketplace before they go full board on the tapering discussions or whatever. So I do believe that as rates do get to that point, we're hopeful that we have a significantly better employment market and generally a much stronger U.S. economy that comes in combination and couples with higher interest rates. And I think until we get to that point, we'll bobble along on the interest rate side, but nothing substantial until we still have to see that solid economic improvement. But that's coming from my perspective, not from anything from an economist's perspective. That's my view.

ADAM RUDIGER:

Great, thank you for taking my questions.

ALAN NORRIS:

Thanks, Adam.

OPERATOR:

The next question is from Stephen Kim with Barclays. Please go ahead.

STEPHEN KIM:

Thanks very much, guys. I wanted to follow upon Adam's question a little bit with respect to how you make decisions as to which communities you're going to activate over the course of the next 12 months, or which parcels you may earmark for sale. If you could give us a sense for what sorts of things go into your assessments of which communities, at what kind of price points, and what kinds of products, how you make those decisions and whether those are decisions that are somewhat long-range in nature and have not materially changed over the last six to 12 months in light of any kind of market conditions. Or if there have been some changes, if you can give us some insight into what those changes have been in the marketplace or, let's say, rates or anything else that has influenced your decisions and how that's basically changed what you're going to be releasing either for sale or for opening for your own use in the next 12 months.

ALAN NORRIS:

Okay, Stephen. Yes, I think that we approach it from when we're building within our own communities, we will most definitely look at product segmentation and when we look at trying to enhance absorptions for all of the lands that we control and own. So we will most definitely look at the wide range of product and then determine where we think…what we think the appropriate mix is from an end consumer point of view and then determine how many builders best fit that underlying absorption, whether it be two builders or three builders, and then who we think is best suited to build the various products and we can move between product types. I mean, in Canada, we tend to stay a little bit more on the affordable end, and therefore we don't dabble much in the move-up and the estate product, so we tend to take that segment of the marketplace. I would say our U.S. operations are a bit more flexible with respect to the products that we're willing to build versus some of our competitors on the home building side. So we try and come up with a complementary mix. If somebody really covets a certain product segment and they're willing to, shall I say, overpay for it, then we will sell off that tranche of lots to them, and then we will build the other product type, for instance. So, we try and complement one another so that we're not there out cannibalizing, and we'll try and fit the product type with the builder and feel that that's appropriate, while making sure that we build product that is appropriate for us as well.

STEPHEN KIM:

Thank you very much for that. That makes a lot of sense and it's great to see that you're able to have that flexibility. In light of what you've seen over the course of the last six to 12 months in the marketplace, have you seen an increased desire on the part of your peer builders out there that you're happy to work with in your communities, have you seen an increased desire on their part to go after more of the move-up product segment, thereby allowing or causing you to maybe emphasize more of an entry level focus over the next 12 months, or not?

ALAN NORRIS:

No, I could probably get back to you in specifics; I don't have the detailed knowledge, but the fact that I've not been made aware of that, not to say that it's not happening in some of our markets, but it's not something that is rising…that I'm aware of specifically. I think most of them are reasonably flexible, quite honestly, as to what they are looking for, but as it pertains to us, I haven't noticed anything material on that front.

STEPHEN KIM:

Great, well thank you very much.

ALAN NORRIS:

Thanks, Stephen.

OPERATOR:

The next question is from Alex Avery with CIBC. Please go ahead.

ALEX AVERY:

Thank you. Just along the same lines, I guess, from a strategy perspective, in your letter to shareholders you noted that your strategy in a rising market includes not pre-selling lots and houses. Am I right that that's a, I guess, a somewhat minor shift in your strategy over the last, perhaps, year, year-and-a-half?

ALAN NORRIS:

We will sell off some bulk sales in Canada to give phases to different people, Alex. In the U.S. we're hesitant to get, I mean, we might sell off X number of lots to a builder, but really just to give them production for the next six to 12 months. What we won't do is sell them two years' or three years' worth of lots because we believe that there is enough upside on that that it doesn't make any sense for us to share that upside with that builder. We might sell them another X number of lots the following year and the year after, but we won't be contracted to do that. That would just be based on pricing at that point in time. So, I would say that all markets are a little bit different. If we think prices flatten and you might sell off some. If other people have a different view, then they might bulk it that way, when to buy it. But if we think that prices still have room to move, then we would not be going that long with respect to pre-selling. And likewise, we've got to be careful on the housing side as well, just to make sure, because we know that there continues to be cost pressure on the various components from a home building point of view, and we can't get too far ahead of ourselves on that front. But that's the same as everybody else.

ALEX AVERY:

And so I guess your primary business being land and sort of your side job being home building, I guess this sort of strategic nuance is really just to say that, I guess, the home building business is under pressure from cost inflation.

ALAN NORRIS:

Yes, that's one thing, but I think all we're really trying to say is we're trying to match lot sales with what we think the underlying absorption is in those areas and not try and give too much too many lots to that group where they can participate higher. If we think that the absorption is stronger, we will sell more lots. It’s just as simple as that. So we just have to look at the supply-demand in the quadrants where we have our communities, and we will try and match up so that the builder has a decent runway, but not giving them enough runway that it's two to three years' work, because many times they will not pay for all of that upfront; there will be some degree of a discount and candidly they get the upside on the pricing as well, which we're just not prepared to share at this point. As the market starts to mature, and we think we'll be getting to that point over the next period of time, over the next year or so, then it becomes a much more normalized level as to how we deal with lot sales, et cetera. This one is a rising market in most of our areas, and we just want to be not giving the farm away, shall we say.

ALEX AVERY:

So when you note that you've increased the number of communities that are active, that doesn't necessarily mean that, you know, I guess the floodgates are open in terms of your willingness to sell lots and houses.

ALAN NORRIS:

Most of the community openings are on a housing basis, obviously, some of those being our own communities as well as subsets of the existing communities, so that's the concept. We think it's a gradual movement as we go forward, and we're comfortable participating going along the way, and I think we'll see more and more towards the latter half of '13 and more so into '14 and '15. We're gearing ourselves up to take advantage because we think that supply-demand imbalance corrects itself somewhat and we get to a more normalized situation. I'm again talking primarily from a U.S. perspective.

ALEX AVERY:

So, I guess just in terms of the big drivers for your business, price and volume, it seems like you're waiting for higher price and then later this year, next year, the volume's going to pick up.

ALAN NORRIS:

Yes, I think we're trying to make sure we create the right value statement within the communities where we're going back in and opening up some other small sets within the communities, and I think we will prove up that value and then we'll be in a position to then take that value statement and then translate it into absorptions. That's exactly right.

ALEX AVERY:

Okay, that's great. Thank you.

ALAN NORRIS:

Thanks, Alex.

OPERATOR:

As a reminder, anyone who wishes to ask a question may press star and one on their touchtone phone. The next question comes from Andrew Berg of Post Advisory Group. Please go ahead.

ANDREW BERG:

Yes, I think I need to ask a couple of them, but I'm going to ask just to confirm. On the $250 million facility you did subsequent to the end of the quarter, that's incremental capacity. That's not replacing any other credit facility, correct?

ALAN NORRIS:

Andrew, that's correct.

ANDREW BERG:

Okay, and then Craig, you talked about a timing shift and I just didn't get that entirely. Can you go back over that, please, for me, in terms of orders that you would've expected this quarter that are getting pushed into the third?

CRAIG LAURIE:

I think that was Alan. You talked on some of the Alberta closings that moved from Q2 to Q3.

ALAN NORRIS:

Yes, we just had a few things that slid from Q2 to Q3. I'm not blaming it all from a flood point of view, but we've certain…that, plus a few other things, where we just couldn't get the documentation and titles transferred and a few deals done from a funding point of view just because of some issues in Alberta at the end of the quarter, that's all. But all that happened in July and we don't think there's much of an impact on the overall year. It was just a timing between quarters, that's all.

ANDREW BERG:

And how much was that? I'm sorry.

ALAN NORRIS:

We had a number of lots in Calgary; 35 lots or so, plus some multi-sites, et cetera, and another partial sale, all of which slid from Q2 to Q3 that we'd originally anticipated.

ANDREW BERG:

Could you quantify the sales impact shift?

ALAN NORRIS:

Probably about $30 mil or something.

ANDREW BERG:

Okay, ballpark…

CRAIG LAURIE:

We don't have that number with us, Andrew.

ALAN NORRIS:

We can get back to you on that, Andrew, but I'm guessing it's $25 mil, $30 mil or something, just…

ANDREW BERG:

Okay, that's helpful. I appreciate it, thank you.

ALAN NORRIS:

No problem. Thanks, Andrew.

OPERATOR:

There are no more questions at this time. I'll turn the conference over to Mr. Norris.

ALAN NORRIS:

Thank you very much, Operator. Again, thank you, everyone, for participating on our call today. I look forward to chatting with many of you between now and the next call and thanks for your support of our company. I appreciate it.