CNW
A PR NEWSWIRE COMPANY

FINAL TRANSCRIPT

High Liner Foods Incorporated

Conference Call for Results of the Second Quarter of 2018

Event Date/Time: August 14, 2018 — 12:00 p.m. E.T.

Length: 34 minutes

CORPORATE PARTICIPANTS

Heather Keeler-Hurshman
High Liner Foods Incorporated — Vice President, Investor Relations

Rod Hepponstall
High Liner Foods Incorporated — President and Chief Executive Officer

Paul Jewer
High Liner Foods Incorporated — Executive Vice President and Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Steven Chung
Scotiabank — Analyst

Sabahat Khan
RBC Capital Markets — Analyst

Jonathan Lamers
BMO Capital — Analyst

Robert Gibson
PI Financial — Analyst

PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the High Liner Foods Incorporated Conference Call for results of the second quarter of 2018. At this time, all participants are in a listen-only mode.

Following management's prepared remarks, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions.

If anyone has any difficulties hearing the conference, please press the * key, followed by 0 for Operator assistance at any time.

This conference call is being recorded today, Tuesday, August 14, 2018, at 12:00 p.m. Eastern Time for replay purposes.

I would now like to turn the call over to Heather Keeler-Hurshman, Vice President of Investor Relations for High Liner Foods. Ms. Keeler-Hurshman, please go ahead.

Heather Keeler-Hurshman — Vice President, Investor Relations, High Liner Foods Incorporated

Thank you, and good afternoon, everyone. Thank you for joining High Liner Food's conference call to discuss our financial results for the second quarter of 2018.

On the call today from High Liner Food are Rod Hepponstall, President and Chief Executive Officer; and Paul Jewer, Executive Vice President and Chief Financial Officer.

Today's call will start with Rod explaining the organizational realignment announced earlier today, followed by Paul who will review the Company's financial performance for the second quarter of 2018, and then Rod will provide an update on other key developments in the business before opening the call up for questions.

Before turning the call over to management, I would like to remind listeners that we use certain non-IFRS measures and ratios when discussing our financial results, as we believe these are useful in assessing the Company's financial performance. These measures are fully described and reconciled to IFRS measures in our MD&A.

Listeners are also reminded that certain statements made in today's call may be forward-looking statements that are subject to risks and uncertainties. Management may use forward-looking statements when they discuss the Company's strategy and business in the future. Actual operating or financial results could differ materially from those anticipated in these forward-looking statements.

High Liner Foods includes a thorough discussion of the risk factors that can cause its anticipated outcomes to differ from actual outcomes in its publicly available disclosure documents, particularly in its annual report and its Annual Information Form.

Please note that High Liner Foods is under no obligation to update any forward-looking statements discussed today.

Earlier today, High Liner Foods reported its financial results for the second quarter ended June 30, 2018. That news release, along with the Company's MD&A and unaudited condensed interim consolidated financial statements for the second quarter of 2018, have been filed on SEDAR, and can also be found in the Investor Information section of High Liner Foods' website.

If you'd like to receive our news releases in the future, please visit the Company's website to register.

Lastly, please note that the Company reports its financial information in US dollars, and the results to be discussed today are stated in US dollars, unless otherwise noted. High Liner Foods' common shares trade on the Toronto Stock Exchange and are quoted in Canadian dollars.

I will now turn the call over to Rod. Rod, please go ahead.

Rod Hepponstall — President and Chief Executive Officer, High Liner Foods Incorporated

Thank you. Good afternoon, everyone. For those of you who don't already know me, I joined High Liner Foods as CEO in early May.

I spoke briefly on last quarter's call to introduce myself, and share my belief that significant opportunities exist for both seafood and High Liner Foods. With the benefit of having now been in the CEO role for just over three months, I continue to believe this is the case, but it is apparent to me that before we can take full advantage of these opportunities, we need to operate more efficiently.

As an important first step towards achieving this, I've already made changes to optimize the Company's structure by aligning the organization first and foremost by core function instead of geography. This will take better advantage of our North American scale and result in a more efficient cost structure.

The Company's executive team has been aligned to this optimized structure, and we are now aligning the rest of the organization. This work will be completed in 2018.

Related to this organizational realignment, Peter Brown, Chief Supply Chain Officer, has left the Company. Peter previously held the position of President and Chief Operating Officer of US Operations, which was a eliminated as part of this optimizing our structure.

In just a moment, I'll turn the call over to Paul to review the Company's financial results for the second quarter in detail. But overall, they reflect the same challenges the business has been experiencing for some time related to soft sales, product mix, plant efficiency, and pricing that is not fully recovering the increases in raw material cost.

The results are disappointing, and I know the decreased experienced in the High Liner Foods share price over the past two months is concerning for our shareholders. These results show that we need to change how we operate before we can improve our financial performance.

The good news is we have already taken action to make this happen by moving to an optimized North American structure. I have more to share with you on our plans to improve performance, and also update you on how our business could be impacted by the potential proposed tariffs announced by the US administration on July 11, 2018.

But first, I'd like to turn the call over to Paul to do his financial review of the second quarter.

Paul?

Paul Jewer — Executive Vice President and Chief Financial Officer, High Liner Foods Incorporated

Thank you, Rod, and good afternoon, everyone. Please note that all comparisons provided during my financial review of the second quarter of 2018 are relative to the second quarter of 2017.

For the purpose of assessing the Company's year-over-year performance, listeners are reminded that there are two nonroutine or unusual items impacting the second quarter's financial results that you should be aware of for the purpose of comparing these results to the same period last year.

The first of these items is the acquisition of Rubicon, which was completed on May 30, 2017, that had the impact of increasing sales volume by 3.5 million pounds, sales by $17.4 million, gross profit by $1.8 million, and decreased adjusted EBITDA by $300,000 in the second quarter of 2018 compared to the same period last year.

The second item to be aware of relates to the Company's product recall initiated in April of 2017, which had the impact of lowering sales volume by 2.5 million pounds, sales by $8.6 million, and gross profit by $8.6 million in the second quarter of 2017.

Please note that 6.7 million of the $8.6 million was added back for the purpose of calculating adjusted EBITDA for the second quarter of 2017.

Sales volume increased in the second quarter by 2.1 million pounds to 65.5 million pounds, reflecting the acquisition of Rubicon, which contributed an additional 3.5 million pounds, and the impact of the product recall in 2017 that lowered sales volume by 2.5 million pounds.

Excluding the impact of these items, sales volume for the second quarter decreased by 3.9 million pounds, reflecting lower sales volume in our US foodservice and retail businesses and Canadian retail business.

Sales in US dollars increased in the second quarter by $12.9 million to 245.3 million. The stronger Canadian dollar had the effect of increasing the value of reported sales by approximately $2.7 million relative to the conversion impact in the same period last year.

In domestic currency, which is before the impact of converting our Canadian operations to the US-dollar presentation currency, sales increased by $9.6 million to $264.5 million. Excluding the impact of the additional sales from Rubicon and the impact of the product recall, sales decreased by $16.9 million, mainly due to the decreased volume mentioned previously and changes in product mix, partially offset by price increases to recover raw material cost increases.

Gross profit increased in the second quarter by $5.5 million to $43.3 million, and was 17.7 percent of sales compared to 16.3 percent, primarily reflecting additional gross profit from Rubicon and nonrecurring losses associated with the product recall in 2017.

Excluding these items, gross profit decreased by $4.9 million to $39.4 million, and was 18.7 percent of sales compared to 19.8 percent. These decreases reflect lower sales volume, unfavourable changes in product mix, and plant inefficiencies in our US business, partially offset by price increases to recover raw material cost increases and improved plant efficiency in our Canadian business.

In addition, the stronger Canadian dollar had the effect of increasing the value of reported US-dollar gross profit from our Canadian operations in 2018 by approximately $500,000 relative to the conversion impact last year.

Adjusted EBITDA decreased in the second quarter of 2018 by $1.4 million to $12 million. Excluding the impact of converting our Canadian-dollar denominated operations and corporate activities through our US-dollar presentation currency, a decrease of $700,000 in 2018 and $1 million in the same period last year.

Adjusted EBITDA decreased by $1.7 million. Three hundred thousand dollars of this decrease was attributable to Rubicon, and the remaining decrease reflects the impact of the lower gross profit after adjusting for the losses associated with the 2017 product recall and increases in distribution expenses, partially offset by the lower SG&A expenses. Adjusted EBITDA was 4.9 percent of sales in the second quarter of 2018 compared to 5.8 percent in the same period last year.

Reported net income increased in the second quarter of 2018 by $2.2 million to $2.8 million, with diluted earnings per share of $0.08. This increase reflects the cost that did not reoccur during 2018 related to the acquisition of Rubicon and the 2017 product recall, partially offset by the decrease in adjusted EBITDA mentioned previously, a decrease in income tax recovery, and an increase in depreciation and amortization expenses and finance costs.

Excluding the impact of certain nonroutine and noncash items, which are explained in our MD&A, adjusted net income decreased in the second quarter by $2.3 million to $3.8 million, and correspondingly, adjusted diluted earnings per share decreased by $0.08 to $0.11.

Turning now to cash flow from operations and the balance sheet. Net interest-bearing debt to rolling 12-month adjusted EBITDA was 5.6 times at June 30, 2018, and consistent with net interest-bearing debt to rolling 12-month adjusted EBITDA at the end of fiscal 2017, when the latter included trailing 12-month adjusted EBITDA for Rubicon.

Net cash flows from operating activities increased by $34.2 million to an inflow of $31.6 million in the first half of 2018 compared to an outflow of $2.6 million in the first half of 2017, primarily reflecting more favourable cash flow from operations, lower income tax payments, and a more favourable change in net noncash working capital, partially offset by higher interest payments.

This improvement in net cash flows from operations was used to reduce the Company's debt in the second quarter.

Net interest-bearing debt decreased by $15.9 million to $371.9 million at the end of the first half of 2018 compared to $387.9 million at the end of fiscal 2017. We expect the ratio to improve throughout the remainder of 2018.

I also want to share that in the second quarter, we successfully completed a significant upgrade to our enterprise resource planning system, or ERP. The ERP is the business management software that supports the Company's core business processes, and this upgrade provides improved capability that will support the organizational realignment, current business objectives, and future growth.

The upgrade was completed on time, within internal spending targets, and without interruption to customers or the business.

That concludes my financial review, and I will now turn the call back over to Rod.

Rod Hepponstall

Thank you, Paul. Organizational priorities for the next 12 to 18 months are focused on creating a more efficient company and improving performance.

Specifically, the North American structure will be completed in 2018. And while there will be some costs incurred this year related to this activity, it’s too early to quantify these. We expect this optimized structure will result in a minimum of $10 million in annualized cost savings on a run rate basis starting in 2019.

However, there are areas of the business where additional investment will be required to ensure we have the right expertise, processes, and tools required to capitalize on market opportunities. These investment decisions will be determined as part of business objectives focused on profitable organic growth, business simplification, supply chain excellence, and integrating and growing the Rubicon business that was acquired in 2017.

Over the next several quarters, I will share more information about these business objectives and the actions we are taking to achieve them.

Switching gears for just a moment, I want to discuss the proposed 25 percent tariffs announced by the US administration on July 11, 2018. If enacted, these tariffs would apply to certain seafood products imported into the US from China. The proposed tariffs could impact seafood purchased by the Company and the industry overall, as a significant volume of seafood consumed in the US is imported to meet US consumer demand.

High Liner Foods does not support tariffs that increase the cost of seafood for US consumers.

The proposed tariffs are currently open for public comment until September 6, 2018, and a hearing on these proposed tariffs is scheduled to start between the 20th and 23rd of August.

We currently purchase raw materials from more than 20 countries around the world, including from the US, to meet US consumer demand. A portion of this raw material is imported into China for primary processing and then exported to the US for sale and secondary processing.

We are monitoring the developments related to these proposed tariffs very closely, particularly as further information becomes available on what products could be impacted and how the tariffs would be implemented.

Until then, we have further—until we have further information, we are not in a position to determine the impact to our business. We are, however, actively looking at opportunities to mitigate the impact of the tariffs in the event they are enacted and applied to a portion of our raw material purchases.

One final item I'd like to share is earlier today, the Company's Board of Directors approved a quarterly dividend of C$0.145 per share on the Company's common share payable on September 15, 2018, to holders of record on September 1, 2018. We remain focused on reducing debt and improving our overall net interest-bearing debt to adjusted EBITDA ratio.

Operator, I'd like to now open the call for questions. Thank you.

Q&A

Operator

Thank you. As a reminder if you would like to ask a question, press *, followed by the number 1 on your telephone keypad.

Your first question comes from George Doumet from Scotiabank. Please go ahead.

Steven Chung — Scotiabank

Hi, there. This is Steven Chung calling in for George.

Paul Jewer

Hello.

Rod Hepponstall

Hello, Steven.

Steven Chung

So just on the topic of tariffs, while I do appreciate there's a certain amount of uncertainty around implementation, can you give us a sense of how you might respond? What levers you'd pull at first blush outside of the announced 10 million from organization cost take-outs?

Rod Hepponstall

Well, I think, Steven, it's a bit early to commentary on the tariffs, as we're not exactly sure as to the actions that may be taken under the tariffs or where it would apply. So we have a number of mitigation plans in place, but it's probably a bit early to begin talking about those.

Steven Chung

Okay. Well, in terms of price increases, I guess, this would be a two-part question. Would you attribute a good part of the organic volume and the climb from this quarter—I think it was around 6 percent—to price increases? And in response to some of the headwinds you might be seeing in terms of cost inflation or tariffs, would you be able to give us, sort of, a maximum percentage price increase you'd be comfortable with in terms of increase before you resort to cost initiatives elsewhere?

Paul Jewer

Sure. So on the first question in terms of increases to price, while we believe that may have had some impact on demand in the second quarter, we wouldn't identify it as a significant item. So that's the first question.

The second question in terms of if there are price increases associated with tariffs or other costs, is there a maximum percentage? No. We certainly wouldn't look at it that way. I mean, the reality is particularly when cost increases impact the industry as a whole, then prices ultimately need to reflect those cost increases. And so we would expect that that would be the case.

But as Rod mentioned in his answer to the previous question, it would be too early for us at this stage to try to predict what that may need to look like until we get much more clarity in terms of how the tariffs will be applied and to what values.

Steven Chung

Right. Thanks for that. And just one last one for me, we'll still tracking higher prices in cod and haddock. Just wondering if you're seeing the same into Q3? And maybe what your expectations are for the rest of the year?

Paul Jewer

Yeah. I think we would … we think most of the increases are now reflected in pricing, so we're not expecting much more in terms of price increases in the back half of the year. But the tariff piece, again, would be a significant change in the environment. And so that could have an impact on raw material pricing as we look forward, depending again on how they are implemented.

But excluding the tariff impact, most of the raw material increases have already been reflected in our costs through the second quarter.

Steven Chung

Okay. Okay. Thanks a lot. That's it for me.

Operator

Your next question comes from the line of Sabahat Khan from RBC Capital Markets. Please go ahead.

Sabahat Khan — RBC Capital Markets

All right. Thanks. Just a couple just on the results. On the sales line, is there … I guess is there some challenges in the US potentially at specific customers? Are there product lines that aren't doing well? And I guess just based on your outlook, how are you thinking about kind of rest of this year and early next year just in terms of demand?

Paul Jewer

Yeah. So I would say in terms of the area of the business which was most impacted from a demand and impact on sales volume perspective was our US foodservice business, and that included a shift in mix between processed and unprocessed as well. So we're very focused on working on improving that performance in the back half of the year.

As we talked earlier on the call in terms of the questions, we're not looking at significant cost increases as we go forward for the back half of the year. So we will be working hard at trying to make sure that we improve volume particularly on our more profitable product lines in the back half of the year.

Sabahat Khan

And just in terms of that mix shift, I guess is it demand is changing? Is it pricing pressure is causing people to trade down? What's kind of causing that mix shift into the lower-priced stuff?

Paul Jewer

Yeah. I think, yeah, as we've talked about on previous calls, clearly there is some demand change in the environment where we're seeing consumers shift to more commodity-based products rather than value-added or processed products. However, as a leader in the industry, we believe we have an opportunity and an obligation to continue to drive performance in processed categories.

We believe that there are opportunities for both our foodservice and retail customers in that regard. And we will focus on that more, including making sure that we're driving innovation in those areas to improve our volume performance in our processed and value-added categories.

Sabahat Khan

Okay. Thanks. And then, I guess, could you give us an update on how some of your newer fresh offerings are doing? You had some product launches over the recent quarters. Are they getting traction? And how is the margin profile on those tracking versus expectation?

Paul Jewer

Sorry, just to make sure I understand the question, newer fresh items?

Sabahat Khan

Like kind of that easily prepared stuff that you were offering at retail in Canada, the new brand—

Paul Jewer

Oh, okay. So yeah, so I mean it's—so there was some launched in Canada and some launched in the US. I would say at this point still a very small portion of our business overall. And it clearly indicates that we need more innovation in our processed categories in order to drive more volume.

Sabahat Khan

Okay. And then just one last one on the organizational realignment that you mentioned. I mean, s there … I guess you said you're still at early stages. Are there big buckets that you're focusing on? Is it going to be more supply chain? Is it more organizational in terms of just restructuring the operations? Can you just give us directionally how you're thinking about that?

Rod Hepponstall

Yeah. I can take that for you. I would say it is a holistic look at the organization to take advantage of the scale of High Liner and optimize the entire organization. So we have made structural adjustments on a North American sales basis, North American marketing and innovation basis, supply chain basis, and so on to, again, to leverage that scale and optimize future opportunities associated with it.

Sabahat Khan

All right. Thank you.

Operator

Again, if you would like to ask a question, press *, 1.

Your next question comes from Jonathan Lamers from BMO Capital. Please go ahead.

Jonathan Lamers — BMO Capital

Good afternoon.

Paul Jewer

Jonathan.

Jonathan Lamers

Rod, on the $10 million of cost savings, what portion of that has been identified?

Rod Hepponstall

All of it. Yes.

Jonathan Lamers

And can you … I know it's early stages, but can you provide us with a sense of what portion will be reinvested into the business?

Rod Hepponstall

I think it's too early to quantify that at this point as we're continuing to work through the full detailed plan, which I outlined earlier I would reference in future quarterly calls.

Jonathan Lamers

Okay. Rubicon, it looks like the full EBITDA contribution in the quarter from Rubicon was about $800,000 this quarter. Could you just remind us of the challenges that Rubicon has faced? And perhaps tell us if the club stores have reduced their salmon orders, as well as the shrimp orders?

Paul Jewer

Yeah. So on Rubicon, you're right. The most significant challenge that the business has faced is the loss in volume at its key club account. And that is fully reflected in the results in the second quarter. The balance of their business we have seen some margin improvement, still more to go, and reasonably stable volumes. So the majority of the issue at Rubicon is tied to that one significant account that we've spoken of.

The second part of the question in terms of salmon, we have seen some impact on our salmon sales to that club customer. But that has happened over the course of the last 18 to 24 months. It's not a recent occurrence. And at this stage, we still see the customer continuing to pursue some of their global sourcing initiatives, but haven't identified anything specific yet in terms of any further impact on our business.

Jonathan Lamers

Okay. I'm not sure if you can answer this, but I think we've previously discussed annual sales volumes for Rubicon in the range of about 30 million pounds per year. Would you be able to provide any update to that?

Paul Jewer

I'm not exactly sure what the 30 million pound number is, but if that is—what we have lost is almost all of the volume associated with that one customer as they moved to global sourcing. So the current volume trend that you see for Rubicon is more indicative of what the base business would have as we look forward.

Obviously we're focused quite significantly on growing shrimp volume across our entire business, so we will absolutely be looking to improve from that existing base volume.

Jonathan Lamers

Okay. And, Paul, do you have the industry retail numbers for the decline in breaded-and-battered sales for Q2?

Paul Jewer

I don't have the percentage in front of me. I know it was a decline. But I'll have to get back to you on exactly what the percentage was in terms of IRI data.

Jonathan Lamers

Okay. And like I know there were fewer Lent days in Q2 this year versus I think there was 11 that fell in last year because of the calendar shift, did that have any impact on the sales volumes on a year-over-year basis?

Paul Jewer

Yeah. I think it could have had an impact. Normally we would have—last year with the longer lent we would've had some sales that would've been in Q2 that didn't repeat this year. But we wouldn't isolate that as the only item. Like as we've talked about in the script and in a few of the questions earlier, we have opportunity to continue to improve from a volume perspective, particularly in our process business.

Jonathan Lamers

Right. Sorry, Paul, you mentioned during the Q&A that the Company was focused on improving processed sales in the second half. Like what can the Company do to sort of improve things when the industry trend has been working against you for so long? I mean, you can promote a little more; you can focus on sales initiatives. Is there anything else?

Paul Jewer

Well, those are two significant things, for sure. Certainly looking at promotional effectiveness and efficiency; working more closely with our customers from a customer engagement and sales perspective. I mentioned innovation as well. So those are all areas that we will focus on to work on improving the trend.

And in parts of our business, you'll recall we're the market leader. And it's the market leader's responsibility to make sure that they're creating demand in the category, and we believe we have an opportunity to get better at that.

Jonathan Lamers

I think historically you've seen a pretty notable pickup in volumes in the US from Q2 to Q3. Based on what you're seeing, is there anything that would indicate that the seasonal trend this year will be different than past years?

Paul Jewer

Yeah. I can't talk about Q3 specifically obviously at this point, but in terms of the trend, no, there's no reason to expect that the seasonality would unfold any differently in the business.

Jonathan Lamers

And do you mean versus last year? Because in 2017 there were some recall issues in Q2.

Paul Jewer

That's correct. And also in Q3, actually. So I would say 2017's probably not the most indicative year, given the impact of the recall. But you're right that historically our strongest quarter is typically Q1 from a volume perspective because of Lent. But then Q3 as well when you have back to school and some other activities, we tend to see a positive impact in volume in the quarter compared to Q2.

Jonathan Lamers

Okay. And in the corporate segment, were there any nonrecurring expenses recorded this quarter?

Paul Jewer

There would have been some, nothing significant enough that we have highlighted it externally. But we would've had some nonrecurring expenses in the quarter.

Jonathan Lamers

What would you see as a reasonable run rate for that segment on an annual basis at this point?

Paul Jewer

Well, I think the key there is I'd highlight the fact in the news release that we have highlighted we're going through the organizational realignment, and we're focused on taking $10 million in costs out of the business. So we'll certainly get back to you in terms of what that more reasonable run rate looks like as we move through those activities.

Jonathan Lamers

Okay. Thanks. And tax expense has been low over the first two quarters this year. Do you have an update for us as to what effective income tax rate you're expecting for full year 2018?

Paul Jewer

No. No real change there. We expect it to be in the low 20s, as we've talked about before. It typically runs a bit lower in particular in the second quarter, similar to last year.

But we've now had the legislative tax changes in the US flow through, and as anticipated, we didn't expect to see a significant change in our effective tax position.

Jonathan Lamers

Okay. And a last question, if I can, just on the tariffs. Will you be providing us with an estimate of your total raw material purchases from China at some point?

Paul Jewer

Yeah. I think what we'll be doing is when we know more in terms of what the tariffs are going to be and what products that they will apply to and at what rate, we'll look at the impact of that and determine what the appropriate disclosure is at that time.

But at this point, it would be inappropriate to try to quantify it because it still is quite unclear in terms of what value any tariffs would apply to.

Jonathan Lamers

Okay. Thanks for your comments.

Operator

Your next question comes from Robert Gibson from PI Financial. Please go ahead.

Robert Gibson — PI Financial

Good afternoon, everyone.

Rod Hepponstall

Afternoon.

Robert Gibson

On the $10 million of cost savings, could you give me an idea if there's going to be some expenses? Specifically cash expenses like severance, et cetera? Maybe some guidance as to what that might amount to?

Paul Jewer

Yeah. There will be some expenses. I won't quantify or qualify exactly what those expenses are or what the amount will be at this point, but we will certainly each quarter as we incur them highlight them for you so that you can see the impact that they had on our quarterly performance.

And at this point, I would expect that we'll have an update for you when we release our Q3 results.

Robert Gibson

Okay. Great. And any thoughts on the NAFTA discussions and what might happen worst-case scenario?

Paul Jewer

Really not much at this stage. Obviously most of the focus of discussions in that regard have been on recently discussed Chinese tariffs. So there hasn't been much on the NAFTA front and nothing that we would highlight in terms of any impact on our business at this stage.

Robert Gibson

Great. Thank you.

Operator

There are no further questions at this time. I will turn the call back over to the presenters.

Rod Hepponstall

Thank you, everyone, for joining today's call. We look forward to updating you on the Company's results for the third quarter of 2018 on our next conference call in November.

Operator

This concludes today's call, and you may now disconnect.

*****