Brunswick Group

Moderator: Miles Roberts
05 June 2018
09:00 a.m. GMT

OPERATOR: This is Conference # 1599683

Operator: Ladies and gentlemen, thank you for standing by and welcome to the DS Smith proposed acquisition of Europac conference call. At this time, all participants are in a listen only mode.

There will be a presentation followed by a question and answer session at which time if you wish to ask a question you will need to press star and one on your telephone and wait for your name to be announced.

Alternatively, you can type in your questions anytime during the presentation by clicking on the Q&A tab at the upper right side of your screen.

I must advise you that this conference is being recorded today, Monday the 4th of June, 2018 and I would now like to hand the conference over to your first speaker today, Miles Roberts. Thank you. Please go ahead.

Miles Roberts: Good morning everybody and firstly thank you very much for your time to join myself and Adrian Marsh, our CFO.

So hopefully everybody has the presentation up. If we start after the disclaimer, on slide number three, this is a great opportunity for DS Smith, with the proposed acquisition of Europac. It is subject to regulatory approval as well as a Class 1 shareholder vote.

It is absolutely bang on strategy creating a higher quality, higher margin business with more growth opportunity and building on our success, that considerable success we've had in western Europe since we acquired there a few years ago, providing great capacity for us to serve our customers.

So the proposed acquisition of Europac, it's a listed entity. It's a EUR1.9 billion enterprise value. It is a friendly deal, there have been a lot of discussion and a lot of collaboration and you can see that in the irrevocable undertakings that have been given by many shareholders.

The financial returns are attractive and we'll rapidly enhance our overall returns to our shareholders. The acquisition is fully underwritten on both a debt and equity perspective and in terms of our core business, to remind everybody of what we said at the pre-close, for the year to April 2018 we experience strong consistent growth from our customers.

Ahead of the market growth, good margin recovery of the increasing raw material cost, exactly as we expected and this has all been underpinned by our focus on our customers, our focus on those big international FMCG companies, more innovation, being able to serve them across wider markets and leading that market. And I'm delighted to see the great momentum that we entered the current financial year.

And with Interstate, our newest acquisition that we acquired at the end of August last year, we simply couldn't be more pleased with the initial results in that business. The degree of customer support, the growth in our market and, of course, our financial returns which are strong.

We've upgraded the synergies again for a second time. It was $25 million when we announced. It was then $30 and we're now saying it will be $35 million of cost synergies -- $35 million of cost synergies by the end of year three.

And we've had growing demand. We've also just announced the acquisition of a further series of four packaging plants in the U.S. corrugated container corporation, which again, is just completed and we're absolutely delighted with that.

We're also announcing today, following a period of very strong growth, a strategic review of our plastics business. But that and any disposal or change of that business is excluded from the financial returns in this presentation.

So moving onto the next slide. This is a company we know very well. We know their family for quite a few years and this is a family that owns 42 percent of the group and three of its members are executive directors.

It's what's called in Spain, a friendly agreement. We've had extensive bilateral discussions on up over a number of years, very good access to the business. So as at today, we've received hard irrevocables from 53 percent of the shareholder together with another six percent of soft irrevocables, bringing 59 percent in total.

The acquisition, at EUR16.8 per share represents a premium of just over seven percent to the share to the closing share price on Friday last week.

And as a multiple, it represents 10.7 times EBITDA for the last 12 months pre-synergy, 8.3 times last 12 months on a post-synergy basis and of course if you look at the consensus for the current year and you'll see the strong performance in Q1, taking market consensus, it represents a multiple of about 7.6 times on a post-synergy basis on the outlook for 2018.

But it is a substantial scale opportunity for us, its current rate of turnover is over €900 million per annum and it enhances our position in what is a key growth market for us, where we're growing short of capacity due to the strong demand.

So, why now? Well, Iberia has been growing, we're seeing good growth in that market of five percent per annum as a market as a whole and we're growing ahead of that.

And in terms of e-commerce, e-commerce in Iberia is one of the fastest growing e-commerce markets in the world. We're seeing annual growth of about 25 percent per annum and we are determined to be able to continue to provide our customers with the service and efficiency that they're requiring.

We do expect to be able to substantially improve their packaging performance. It hasn't been an area of huge focus for the group, but bringing our technology and our approach, I'm confident we'll do that and to integrate our supply chain into our wider group.

So, we're confident of achieving EUR50 million per annum of cost synergies of which will half will be achieved in the first full year of ownership and the remainder over the following three years.Revenue synergies are excluded from that analysis.

These efficiencies with our underlying business will rapidly enhance our financial returns to our shareholders.

It will be EPS accretive in the first full year of ownership, but most importantly for us, our religious focus on return on capital employed is there and you'll see an above group cost of capital being generated in the first full year of ownership.

And growing us into a higher quality, higher margin group with more growth potential. So, turning onto the next slide, let's just look at a snapshot of the business. As I've said already, it is a big scale opportunity.

Iberia is the third largest corrugated packaging market in Europe, and as I've said, growing over five percent per annum. It'll bring a very good market presence for us, number two in Iberia, helping us to support our customers as well as further enhancing our position in France.

The business focus is very much in the FMCG sector and not that dissimilar from us, but it is a diversified customer group and one with considerable upside from overlaying our customer group, our innovation across their business and it has a strong supply chain, a strong paper business, a very experienced management team, we know them well.

They're very capable operators, I'm delighted that they'll be joining us when the acquisition completes, although the executive directors will be leaving in due course.

And it's well invested. You can see that from the returns. In Q1 they made an EBITDA margin of 21 percent, following on from the 18 percent they made last year with invested assets performing well in what is a growing and strong market.

So on the following slide, I'm just now highlighting the five areas that I'll be talking about, about that scale opportunity. Secondly, how are we going to really add value to this business?

How are we going to make it a better business and focusing the packaging assets and also the supply chain, more about the cost synergies and then off course the financial returns. So as a reminder of DS Smith, in 2010 we had a good U.K. business, but we had six box plants in continental Europe.

Many of you know our growth across 2017, providing an unparalleled service to our large multi-national companies and you've seen the success that we've enjoyed consistently taking market share each and every year over the seven -- last seven years.

We've recently entered the Iberian markets in the last, just over two years, with the acquisitions of Andopack, then Lantero, then Gopaca and we've been delighted with the growth and the reception from our customers, simply being able to get those sustainable solutions that we're able to offer.

This acquisition, once approved, on this slide we show how it's so complementary to our existing asset base. Strong customer pull, we've already announced that we would build a new plant in Spain, that will be canceled because of the extra capacity that we'll be bringing on with this proposed acquisition.

So we think there's a considerable opportunity to improve their packaging assets You can see in detail again about the complementarity of their plants with ours, providing much needed new capacity.

However, that business has not been the focus of the Europac group. It is subscale and commercially weak with the customers and we feel applying our expertise can significantly improve this.

And of course, we have a proven track record in this region with those acquisitions and how we're working more with our customers. We have a strong experienced management team already there that has been right sized and built for further growth.

And our ambition is we bring their business to our margins in that region, which go beyond the cost synergies and come from a process of working much more closely with our customers.

Moving onto the next slide, in terms of our supply chain, it does improve our position, enabling us to supply our customers more effectively. There's a high quality asset base producing the right grades of paper for us in the right regions, and in particular, a very, very strong kraft mill in Portugal.

So, it's in the right regions, geographically, they're very important to us as we're seeing strong growth in these markets. And you can see that in the financial returns that they've been making. Consistent returns over many years.

But as a company, to give our customers the flexibility that they want in their packaging we are and we remain committed to having a short paper position.

This business is long in paper, but even with consolidating it, it will bring our short paper position back to the position it was in 2015 and we're growing it over 200,000 tons per annum. And it will give us the opportunity to reassess some of our existing paper assets.

So, we'll see our short position of 1.4 million tons being recreated in the short-term.

And turning to those substantial cost synergies where we have a proven integration expertise. The teams that will be integrating here , we want in this business and to welcome into DS Smith, we can be stronger together. The

team to do this is the same team that ran the SCA acquisition, ran the Duropack acquisition, ran the Lantero acquisition, ran the Interstate acquisition.

We feel very proud of of the performance of that integration, putting in place our commercial and operational excellence. Learning from each other is a very, very encouraging and a value creating exercise.

So we'll combine their operations with their experienced management team, as I said, who are staying and the synergies are €50 million, these come from procurement, they come from distribution, avoiding head office overlap and of course our operational best practice.

There are some one-off costs with these. A net CapEx of €30 million really predominantly spent on health and safety and putting in our systems, our operating systems into their factories, as well as improving some of their packaging assets to give us the capabilities our customers want in that region. The acquisition costs here of raising the debt, et cetera are all identified.

In terms of working capital, they do have a low working capital position. We'll be into their business, but we're not expecting to achieve any substantial significant improvements.

Any revenue growth opportunities from our customer's basis or global customers are excluded from this analysis. So, attractive financial returns, you know our medium-term targets.

The return on sales, the return on capital employed between 12 and 15 percent, keeping the balance sheet tight, maintaining our investment grade rating for our debt, we're confident that in the medium-term this acquisition will fall within our medium targets as well as in the short-term being EPS and return on capital employed above the cost of capital in the first full year ownership. Adrian.

Adrian Marsh: In terms of the proposed acquisition financing, we'll be proposing to launch probably in the next couple weeks when we can anticipate our financial year-end.

We're still waiting for a few details from the UKLA, but assuming we can bring forward our year-end a couple of weeks we'll be launching a £1 billion rights issues, which is about 17 percent of our issued share capital. It's fully underwritten and the new shares are ranked pari passu.

We're also putting in place around about £650 million of committed debt facilities to cover, not only the Europac debt that we acquire, but also sufficient flexibility to cover sensitivity through the Class 1 process.

We've right sized the equity issue in terms of obviously minimizing the amount that we need to raise, but at the same time ensuring we retain our investment grade credit rating. As it stands, we would expect our leverage at the year end to be -- next year to be around 2.5 times.

If you include the Interstate put option, then that becomes about 2.7 times, and as you all know, that is the maximum level that we're prepared to achieve before we start the deleveraging processes.

As it stands, none of this includes any expectation around the disposal of plastics, should that happen, those proceeds will also contribute towards deleveraging.

Miles Roberts: Thank you, and on the following slide, slide 14, the indicative transaction timetable, as I said, is subject to various approvals, first and foremost from our shareholders, - by weighting we've seen the majority of our shareholders over the last few days.

And I have to say we are absolutely delighted with the strong support that we've received really across our large shareholders. It's really been absolutely tremendous. So it is subject to a class one approval, and also merge controller clearance by the regulatory authorities, the European commission, and we'll be working very closely with them.

We do think we'll get a phase one clearance, we're working towards that, in which case together with the Spanish CNMV approval process would expect the transaction to close in Q4 of 2018.

It is conditional on 50 percent plus one share acceptances from the Europac shareholders, that would allow us to delist the business. We have already received 59 percent commitment of which I said 53 are hard irrevocables.

So we'll be working with the remainder of the Europac shareholder group to get to 90 percent and squeeze out. So in summary on slide 17, we feel very strongly this is a great opportunity to enhance our customer offer in a key packaging growth region.

It's a highly compelling, strategic rationale, and a really big opportunity for us together with enhancing our supply chain capabilities. EPS enhancing and return on capital employed above WACC in the first year of ownership.

Good synergies we are very confident in and they're all audited many times over - really building on the strong success that DS Smith has enjoyed last year, that strong growth in 2017/18, and that growth in Interstate.

And as I said, we've also announced the review of our plastics business. Overall, we believe it's another important step in creating a high quality, high margin group with more growth potential.

Thank you. Myself or Adrian would be delighted to take any questions anybody may have - thank you for listening.

Operator: Ladies and gentlemen, if you wish to ask a question, you can press "star" and "1" on your telephone or you can type in your questions on the Q&A box. First question comes from the line of (Alexander Mace), thank you, please ask your question.

Alexander Mees: Good morning Miles, good morning Adrian, three questions please from me. Firstly just with regard to Europac's (packing) division, obviously it earned margins below the group average over the years.

Is there any reason why you couldn't get their packaging margins up to your group average, and if so, how long would that take?

Secondly, I just wonder if you could comment on why ecommerce is as strong as it is in Iberia and whether you see it as sustainable, maybe not at 25 percent, but certainly at a reasonably high level.

And lastly just some additional colour on the rationale for the strategic review of plastics, which obviously you're doing quite well from a financial basis, thank you.

Miles Roberts: I'd say in terms of the Europac packaging, it does operate below where we are, it's quite considerably below, and over the meeting term ie that first three years, we want to really work to improve their packaging business to come up to the margins that we are achieving, and a lot of that's around the operational improvements that we've seen that we can make.

We have had good access to the business, so it is very collaborative process, good access, so we feel pretty comfortable that we will be able to incorporate those businesses and add more value to our customers.

In Iberia, ecommerce is exceptional and every country is a little bit different, even within Iberia, between different regions, the ecommerce can be growing at different rates.

But it is something that the general consumers really embrace really hard on in Iberia. As I said, it's growing over 25 percent per annum, it's the world's fourth largest growth market in ecommerce, and we expect that to continue.

And it is all around the things that we know given we're in the U.K. It's about the convenience, it's about a particular insight - look at the age profiles in the regions that are growing.

So we can see this moving ahead really quite strongly over the coming years. It's just a particular feature of consumer behavior there, not dissimilar to what's happened in the U.K., although just a few years behind in its making.

And the rationale for plastics, it's been a great business, it is a great business. It's predominantly in industrial packaging, providing the bags that go inside cardboard boxes.

But the rest of the group is growing very, very strongly following the completion of Europac, subject to approval. The plastics business will be a few percent of the group, and we just are taking the opportunity to look at that.

Is it right? Can we recycle capital back into the rest of the company? So we're going to have a good look and decide on what is the best home for that business going forward.

Alexander Mees: Thanks Miles.

Miles Roberts: No, thank you.

Operator: Thank you, and next question comes from the line of Barry Dixon, thank you, please ask your question.

Barry Dixon: Good morning gentleman, congratulations sir, sounds like a very good deal. Two questions if you don't mind, the first just going back to the margins on the packaging side, (Miles), could you quantify in terms of what your packaging margins are, what you'd expect that to be in absolute terms, because it's hard to draw that out of your own businesses, particularly Western European business, which includes Benelux.

And so the aggregate there that you had from paper and packaging, what kind of margins can we expect on packaging?

And then the second question, just in terms of the 30 million of CAPEX, can you maybe give us some sense as to what that is going to spent on and whether or not that's part of your strategy to increase the level of downstream or the level of vertical integration in that business, thank you.

Miles Roberts: Yes, thank you Barry. The margins we make in that region, we do disclose Western Europe, you're absolutely right. That includes a number of countries, but the principle markets are Iberia and Spain, but it's high single digits.

You get much better asset utilization because working with our customers, those large customers we're talking about, it's really brought the margins up

to a high single digit obviously compared to where they've been last year where it was actually in a loss. Adrian, do you want to talk about the CAPEX?

Adrian Marsh: Yes, so in terms of the CAPEX, (Barry), the first thing to explain is of course we now won't be preceding with a greenfield site in Spain, which we've previously described just over a year or just under a year ago.

In terms of therefore where that spend would now be deployed, it's predominantly on the packaging assets as you rightly assume. There's a little bit around health and safety across the whole business to start with, where we always bring our acquisitions to the standards of our group.

And then the rest is around on packaging, particularly around performance packaging, the technology around that around our customer excellence and our consumer insights. So it's pulling in and implementing the technology that we currently have elsewhere in the group, and making the packaging sites to the same standards that we have for the rest of our business.

That said, they are pretty well invested to start with, they are in good locations, which is the reason why you're not seeing a huge number in terms of what we were expecting to spend in terms of bringing them to the standards that we would want.

But yes, it's about how we operate that business within ours so that we can operate across the various sites in the same ways we do in other countries.

Barry Dixon: OK, if I could just have one follow on, thanks everyone, one follow on, just in terms of the kraft liner obviously it solves a problem for you of a short kraft liner position in Europe, which is the most significant from your own perspective.

How well integrated is that kraft liner mill into the downstream in Europac and what opportunities does it now give you to do swap arrangements around the region in terms of solving that short kraft liner position. Thank you.

Miles Roberts: No, thanks Barry, we don't have a problem at all in kraft, we actually bring quite a bit in from the U.S. and Iberia is the closest market. So we don't have an issue.

When we look at that mill together with the other paper, we're really looking to optimize this about the kraft coming into our group. A lot of their paper already goes internally, and we expect that to continue, we don't expect there to be any great changes really in the amount of integration in the very near future.

We'll work on it, I think like all acquisitions will be coming back to our shareholders after that first hundred days, we'll be coming back and we'll talk to people about how the acquisition is performing when we have the following update.

Barry Dixon: OK, thank you very much.

Miles Roberts: Thank you, Barry.

Operator: Thank you and next question comes from the line of Cole Hathorn thank you, please ask your question.

Cole Hathorn: Hi Miles, just following up on that, how much of the synergy benefits is from integrating Europac's kraft liner into your current box plants versus optimization of the Europac box plants?

Miles Roberts: Very little.

Col Hathorn: Very little?

Miles Roberts: Yes, very little, it's a good asset, it's very well run, It's just one of the assets that are in the portfolio. I think as we continue to grow, we can be more efficient with that asset. I think integration levels will change according to that efficiency and the grace that it's able to produce.

We feel quite excited about that. We feel we can be part of a wider group, we can look at further development and improvement of that asset.

Cole Hathorn: And then on your review of your plastics business, what is being the catalyst for this review?

Miles Roberts: Yes, this business has done extremely well, but I think we're at a decision now where we say are we going to put a lot more capital into a business? Are we going to, or are we really going to focus on our fibre based opportunities?

You can see in this acquisition we're asking shareholders to support us, we're almost humbled by the response that they've given us and we've got to repay that trust. But we are extremely grateful for the support.

But I think as plastics has done very well, we've had a lot of inbound inquiries into it. It's got a good management team, good product, but we have to recognize it's becoming really quite a small part of the group and recycling capital can give shareholders an even better return, because of those strong synergies and strong growth we're getting even more so in our core business than in plastics. It's really as simple as that. But very strong inbound interest.

Cole Hathorn: Great, thank you.

Operator: Thank you and next question comes from the line of Tom, thank you please ask your question.

Tom: I'm just interested to know how, now that you'll be quite stretched on your EV / EBITDA target, how that impacts your ability to continually expand in the U.S. and after the most recent acquisitions there, how you feel your asset base is progressing, whether it's at the target level you'd envisaged with the Interstate acquisition.

Adrian Marsh: Yes, in terms of the leverage direction which you're alluding to, I think we are where we said we would make a significant acquisition at - clearly the business in and itself on it's own and when combined is extremely cash generative

And we've got whatever we decide to do, vis-à-vis the strategic review of plastic. So as it stands, I don't think that there are any issues with how we're currently envisaging expansion in the U.S.

And you've seen us announce the recent small acquisition. There are a number of those that are available plus our greenfield strategy. Clearly there's not enough fuel in the tank for a massive acquisition there but neither would you expect that. And neither have we ever described that.

So what we're looking at is building the management team, building out the assets, growing on them through small bolt-on acquisitions and our greenfield strategy. And that's entirely provided for within the balance sheet we've currently got. And more so if we proceed with the disposal of plastics.

Tom: OK, thank you.

Operator: Thank you. Your next question comes from the line of Rob Chantry. Thank you. Please ask your question.

Rob Chantry: Hi. Morning, everyone. Just a few questions. So firstly, could you just give an update on what you perceive your market share to be in Iberia and France?

I think looking at the presentation from your report this morning, it's probably 52 percent Iberia, 34 percent France. So where does that leave you on a combined basis and do you perceive any antitrust issues with that?

And so secondly, could you just give an update or some kind of clarity on why Europac has been so strong in recent years? If you look at the stock price, it was only a few years ago it was down at four Euros, now it's at 15, 16.

Is that mainly just due to Spanish market exposure? Is there anything in particular that's changed in the business and related to that, why have you decided to go now?

And also thirdly, just following on from the last question, you've done two quite large deals in the space of a year, two quite big rights issues. Is that it for the next few years in terms of particularly large deals or is there any update on that view? Thanks.

Miles Roberts: No, thank you for that. If I take the first couple of parts and Adrian will take the second. We clearly have to work very closely with the European Commission to achieve the merger control.

And we feel confident that we'll get a phase one clearance - we don't think there are any particular issues there. We're not butting in to substantial market shares, et cetera.

We just have to continue working with the authorities. In terms of Europac, the share price has been strong. You'll note that the price we've offered is a seven percent premium to Friday's closing price. And our price hasn't changed for some time.

But why now? Well, the increase in their share price, it isn't a big stock. I think liquidity has been limited and it takes it a while, I think, for the market to really catch up on the IBEX with Europac.

The whole Spanish economy, Iberian economy I think over the last 18 months has really moved forwards quite nicely. So we've seen the whole index go up quite strongly. But why now? It's also because of us.

You know, we did enter this market with a number of acquisitions. Every market's different. And we have to learn. We have to understand the market and see where our opportunities are.

Just as we've been doing in the U.S. And we've really been absolutely delighted with the reception that we've had there from our customers. And the financials returns we are earning reflect that.

So I think it's a number of things. It's the right time for us and I think it's the right time for them based on the performance of their business in this Iberian market. But when you look at it all, you can see there's still a lot of opportunity here.

There's a lot of opportunity for us to take it to the next stage as part of a much wider leading offer to our customers. I think it's the right time for everybody. Adrian.

Adrian Marsh: And in terms of the last question, when we made the acquisition in the States a year ago, we described how we were going to build out that business and put in place a management structure that would be right sized for growth and that's exactly what we're doing.

We did the same thing when we made our last major European acquisition two or three years ago when we built out the management team and the capabilities, particularly around Iberia.

And when we've discussed with you on previous calls and talked about areas that we wanted to expand, that was one of them. In terms of does that mean we can or can't cope with anything else should it come along.

Well, I think it all depends where it is and whether it's an area that we are focused on and been pre-building teams to accommodate at this stage. I can't sit here and say I've got any expectation of anything significance and size in this short -- but then you never do.

It depends on a series of different circumstances and discussions and relationships we've been having. All I can say is when we talked to shareholders over the last couple of days, they have all said, look, if you've got anything good come back, we'll look at it and if we like it we'll be very supportive.

So, we have that encouragement. That said, there's nothing, as I sit here now, but it certainly wouldn't preclude us in the future if it's an area where we put in a place the resources that we need to accommodate.

Miles Roberts: Yes, I mean our focus has got to be bedding this down and repaying the trust our shareholders have given and that will be where we are focusing - that's absolutely where our focus is going to be. Once it gets completed and we then start working with the teams here and repay the trust of our shareholders are placing in us.

Operator: Thank you. And next question comes from the line of Alexander Berglund, thank you. Please ask your question.

Alexander Berglund: Good morning, thank you. I was wondering if you could talk a bit on the integrations teams' capacity to handle two larger integrations. I mean, how will they split their focus between Interstate and now Europac?

And would you say that most of the heavy lifting from an integration point of view has been done now for Interstate so more focus can be put on Europac?

Miles Roberts: Firstly, in terms of a Europe, the last major deal of size in Europe for us is actually the SCA acquisition which was 1.6 billion and that was back in 2012. We have been making a series of small investments. Duropack for 300 and we spent about 300 million in Spain over the last several years.

The management teams have been right sized for their acquisition. As I said, this is a deal that we've been discussing for some time now, bilateral discussions, out with them and the management, so we had a long time to think about that and we've right sized our management teams in Europe to cope with this, to be successful in the integration.

The U.S. business, it completed last August. We are nine months the way through, that business is run, in terms of the management, the teams are well set up.

The integrations has gone extremely well, so we feel that we are more than able to take on the challenge of integrating Europac in Europe at the same time. Feel very confident of that.

Alexander Berglund: Thank you very much.

Miles Roberts: Thank you.

Operator: Thank you. And a follow-up from the line of Cole Hathorn. Thank you, please go ahead.

Cole Hathorn: Hi Adrian. Just one follow-up on that, because you've had bilateral discussions with Europac, does that mean you've actually had access to their book, so you are significantly more confident than you would be otherwise on synergy targets, et cetera?

Adrian Marsh: In terms of access, we've had, we've had a confirmatory due diligence process with the management of Europac.

We've had a series of expert sessions where we've met senior leaders within the business and they've supplied us certain information that we've required in order for us to get to be extremely confident from a Class 1 perspective in terms of the data that we've prepared. So, I think that probably gives you the positive answer that you were expecting.

Cole Hathorn Great. Thank you.

Miles Roberts: I'm very pleased with the level of corporation and the discussion. Very pleased.

Operator: Thank you. And no further questions at this time. Please continue.

Miles Roberts: Well, firstly thank you once again to everybody for joining us today. I think this is another very important step in the development of DS Smiths supplying and supporting our customers and creating a high quality, higher margin group with more growth potential. Thank you very much.

Operator: Thank you. And that does conclude our conference for today. Thank you for participating, you may all …

END