DRI Healthcare Trust

2022 Third Quarter Earnings Call

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PRESENTATION

Operator

Good morning, everyone. Welcome to DRI Healthcare Trust's 2022 third quarter earnings call.

Listeners are reminded that certain statements made in this earnings call presentation, including responses to questions, may contain forward-looking statements within the meaning of the safe harbor provisions of Canadian provincial securities laws.

Forward-looking statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements.

For additional information about factors that may cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements, please consult the MD&A for this quarter, the Risk Factors section of the Annual Information Form, and DRI Healthcare Trust's other filings with Canadian securities regulators.

DRI Healthcare Trust does not undertake to update any forward-looking statements. Such statements speak only as of the date made.

The presentation today also references certain non-GAAP measures, including total cash receipts, total cash royalty receipts, adjusted EBITDA, and certain non-GAAP ratios, including adjusted EBITDA margin and adjusted cash earnings per unit.

These measures and ratios are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS, and are, therefore, likely to be comparable to similar measures disclosed by other issuers.

Rather, these measures and ratios are provided as additional information to complement IFRS measures by providing further understanding of DRI Healthcare Trust's financial performance from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of financial information reported under IFRS.

Please note that all dollar amounts discussed today are in US currency unless otherwise specified.

I'd like to remind everyone that this conference call is being recorded today, Tuesday, November the 8th, 2022.

I would now like to introduce Mr. Behzad Khosrowshahi, Chief Executive Officer of DRI Healthcare Trust. Please go ahead, Mr. Khosrowshahi.

Behzad Khosrowshahi — Chief Executive Officer, DRI Healthcare Trust

Thank you, operator, and good morning, everyone. We very much appreciate you taking the time to join us today.

With me today are Chris Anastasopoulos, our Chief Financial Officer, and Stewart Busbridge, our Chief Operating Officer.

We are excited to share our third quarter results and update you on our key priorities for the remainder of 2022.

This quarter, we made significant headway in advancing our growth strategy centred on purchasing royalty streams on pharmaceutical products that will generate sustainable cash flow growth for our unitholders.

In Q3, we deployed $185 million across three transactions, purchasing royalties on Empaveli, Zejula, and Omidria. While Stewart will provide more details on the specifics shortly, it is important to

highlight that each transaction is consistent with our investment parameters while having unique terms that make the deals individually attractive. Most importantly, they provide a foundation for sustained, accretive growth.

Transaction for Empaveli was structured to include the option, at our discretion, to increase our exposure, should events, including a potential new indication, make that advisable.

The Zejula deal includes a milestone payment upon the granting of regulatory approval of a specific pipeline indication, mitigating our risk while providing the counterparty a path to realizing value for success.

And the Omidria deal is structured to provide good visibility into cash flows that we expect to receive through to 2030 in a way that helps replace expected expiries in our portfolio as they occur.

These transactions advance our goal of replacing the cash flows from our existing assets as they expire, while continuing to roll forward the duration of our portfolio at over nine years.

We look forward to leveraging the momentum from this quarter moving forward. As we enter the final quarter of 2022, we remain poised with a strong balance sheet to capitalize on our robust pipeline.

Importantly, we continue to deliver unitholder returns and, last night, declared a $0.075-per-unit distribution for this quarter. Not considering any special distributions, this represents an annualized distribution of $0.30 per unit and a current yield of about 6 percent.

This was a strong quarter for our portfolio, which continues to perform well. In Q3, we generated $18.8 million of total cash receipts, $26.5 million in royalty and interest income, and $15.8 million in adjusted EBITDA. We generated adjusted cash earnings per unit of $0.57 in the quarter.

Before handing over to Stewart, I would like to take a moment to reflect on our progress since our IPO.

Over the past 19 months, we have deployed $345 million, with the potential of an additional $56 million in milestones and options.

We're almost halfway to the high end of our initial five-year target range of $650 million to $750 million.

Importantly, with the transactions that we have completed, we now have visibility on flat-to-growing cash receipts through to the end of 2025, without any further deployment.

On that foundation, with our continuing deal activity, we are able to build towards the long-term growth target of 7 percent to 9 percent in cash receipts that we discussed during our IPO.

In addition to growing cash flows, we are looking to demonstrate sustainability by continuing to extend the duration of our portfolio.

I will now ask Stewart to discuss our recent asset performance.

Stewart Busbridge — Executive Vice President & Chief Operating Officer, DRI Healthcare Trust

Thank you, Behzad.

I'll start by recapping our recent transactions for royalty interest in Empaveli, Zejula, and Omidria.

Empaveli is a haematology product approved in the United States and the EU for PNH, or paroxysmal nocturnal haemoglobinuria, a genetic disorder characterized by the complement pathway-mediated destruction of red blood cells.

Empaveli is a pipeline and a product that is currently being reviewed by the FDA for geographic atrophy, an ophthalmological condition, with a PDUFA date expected in February 2023, as well as being in development for other indications, including cold agglutinin disease and C3 glomerulopathy.

This transaction entitles us to a little under 1 percent royalty on the worldwide net sales of all formulations of Empaveli, up to an annual sales cap of $500 million.

As part of the transaction, we acquired an option to increase our exposure to Empaveli by increasing the annual sales cap to $1.1 billion in exchange for a one-time payment of $21 million.

In September, we acquired a royalty interest in Zejula from AnaptysBio for $35 million. Zejula is an oncology drug approved by the FDA and EMA for treating ovarian cancer, with multiple oncology pipeline indications in development.

The transaction entitles CRI to a 0.5 percent royalty on GSK's net worldwide sales. And in the event that Zejula is approved by the FDA for endometrial cancer by the end of 2025, CRI will make a $10 million milestone payment to AnaptysBio.

Most recently, we completed a transaction for Omidria from Omeros Corporation for $125 million. This transaction will provide us with substantial near-term cash flows with long-term structural growth built into the terms of the deal.

Omidria is an ophthalmological product for intracameral use during cataract surgery or intraocular cell lens replacement and was approved by the FDA and EMA in 2014 and 2015 respectively.

We are entitled to royalties on Omidria subject to annual caps through 2030. For the remainder of 2022, we are entitled to royalties of up to $1.67 million; $13 million in 2023; $20 million in 2024; $25 million annually from 2025 through to 2028. We are also entitled to up to $26.25 million in 2029 and $27.5

million in 2030, with no entitlements thereafter. These caps are significantly below the royalties that Omeros has been collecting historically.

With the inclusion of Empaveli, Zejula, and Omidria, our portfolio now sits at 22 royalties, including a structured and secured loan on 17 products.

Behzad touched on, at the time of our IPO, we stated a five-year deployment target of $650 million to $750 million. In 19 months, since the IPO, we have completed 5 transactions. We are almost halfway to the high end of this target with $345 million deployed, with the potential deployment associated with these transactions to be as large as $401 million upon the achievement of certain milestones or our exercise of options.

Looking at the overall portfolio, we show here the breakdown of cash royalty receipts by asset for Q3 2022, as compared to Q3 2021 and Q2 2022.

Cash royalty receipts decreased by 13 percent in the same period in 2021 and 27 percent compared to the second quarter.

However, adjusting the second quarter to take out the semi-annual Zytiga's receipt, our royalties receipts are up 16 percent over that of Q2 of this year. The year-over-year decline was primarily driven by the contractual step-down in royalty rate for Eylea in Q1 of this year; a decrease in royalties from Oracea due to a change in the sales mix of the asset; and the continuing evolving market conditions in the treatment of spinal muscular atrophy affecting Spinraza. This decrease was partially offset by the inclusion of Vonjo, which we acquired after Q3 2021.

We expect to continue to realize growing royalty receipts from Vonjo, as well as Empaveli, Zejula and Omidria in Q4 2022, plus compounding growth, as we continue to execute on acquisition opportunities in our pipeline.

We continue to review the trust options related to Natpara, given Takeda's recent announcement, and we'll provide updates accordingly. In the quarter, Natpara continues to perform in line with past performance, and we expect that to continue over the next several quarters at least.

I will now turn the call over to Chris to discuss our financial status. Chris?

Chris Anastasopoulos — Chief Financial Officer, DRI Healthcare Trust

Thank you, Stewart.

We continue to generate strong cash flow from our assets. For the 12 months ended September 30th, our total cash receipts were $101.4 million, including total cash royalty receipts of $95.7 million and interest receipts of $5.7 million on the loan to CPI.

Our operating expenses, servicer, and management fees for the 12 months ended September 30th totalled $14.4 million, resulting in an adjusted EBITDA of $87 million and an adjusted EBITDA margin of 86 percent for this period.

For the four quarters ended September 30th, we have generated a total of $1.90 in adjusted cash earnings per unit.

As at September 30th, we had cash and cash equivalents of $20.5 million, along with $36.4 million of royalties receivable.

Following the transactions closed this quarter, we have drawn $216.9 million of our $350 million total credit facility.

Combining our cash on hand, the cash we generate each quarter from our assets, and the funds available from our credit facility, we have significant access to the capital needed to continue to grow our portfolio.

I will now turn the call back over to Behzad.

Behzad Khosrowshahi

Thank you, Chris.

This has been a very busy quarter for us. We have never been more excited about the business and have built the needed cash flow foundation to achieve both our near-term and long-term goals.

We have three key priorities for the remainder of the year and to guide us through first half of 2023.

First, we will continue to execute on our strong pipeline. As we have laid out, we are poised for growth with a pipeline of targets with attractive royalty streams and have access to the capital necessary to successfully close these deals.

Our growth strategy targets an attractive and underserved market niche which capitalizes on small- to medium-sized transactions. We have completed five transactions to date and are on pace to exceed the high end of our royalty acquisition target, as laid out in 2020 and '21.

Second, we are focused on generating sustainable cash flows through accretive growth. Our acquisition strategy focuses on targets with potential to generate long-term royalty receipts from medically necessary products with long patent lives, and potential for expansion through new indications or new geographies.

Finally, we remain committed to providing solid and reliable unitholder returns by distributing between 20 percent to 30 percent of our available cash flows.

With that, we will now take your questions.

Q&A

Operator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you would like to ask a question, please press *, followed by the number 1 on your telephone keypad. If your question has been answered and you would like to withdraw it, please press *, followed by the number 2. And if you are using a speakerphone, please remember to lift the handset before pressing any keys.

Your first question will come from Ash Verma of UBS. Please go ahead.

Ash Verma — UBS

Hey guys. Good morning. Thanks for taking our questions. I had a few on Empaveli. What are the considerations for you to opt in into this annual sales cap increase to $1.1 billion as you approach the PDUFA, which is now in February? Are there any label considerations at play here?

And we saw this update from Apellis last week that they submitted the 24-month GA efficacy data as a major amendment to the NDA, which seems like, from their commentary, it appears to be like an unsolicited amendment.

Does that in any way change your view on the approvability or the timeline in which we are expecting to get the decision on that?

And then I have a couple of follow-ups that I can take after that.

Stewart Busbridge

Hey, Ash. Thank you. It's Stewart here. Thanks for your question. Yeah, on Empaveli, I think I'll make a few points on that.

First, the deal that we've done so far, the $24.5 million, is really underwritten to P&H. So I think we feel pretty comfortable with that just on a stand-alone basis.

Obviously, we have the option to increase the cap, the sales cap. One of the obviously important factors that would go into exercising that option would be GA and the sales we would expect to see there.

We do have until June of next year to exercise that option. So we have some time to evaluate the approval or potential approval there, but also how sales are tracking on P&H as well.

So I think we'll obviously take the time and see how sales are tracking, see how that approval, how that PDUFA date goes in now in February, and make a judgment accordingly at the time.

In terms of the delayed PDUFA from the end of November to February, our understanding there is that Apellis elected to submit some additional data that was a material change and required the delay. They did it voluntarily and we understand that they did it in order to sort of obtain a broader label and obviously, help sales in the long run.

It shouldn't really affect the ramp too much because, again, our understanding was that they were planning on launching GA in January anyway. So it's essentially a one-month delay that this would cause. And in the long run, they felt it was worth it.

So I hope I answered your question, but those were kind of the thoughts on Empaveli.

Ash Verma

Yeah, great. Thanks. And then on Omidria, yeah, trying to understand this end market. Again, what's your view of the cataract surgery market? Is this like a growing addressable opportunity?

And are there any underlying factors impacting the cataract surgery market that may positively or negatively impact Omidria use? Like, I think there is a couple of trends like addressable patients are getting younger and there is more of an adoption of the same-day procedure. Is that like an accelerant for Omidria use? Or do you think it could change the trajectory of how you realize the cash flows over the period of this deal?

Behzad Khosrowshahi

Ash, thank you very much for the question. Omidria, I think you correctly have outlined some of the tailwinds associated with the cataract surgery market. Certainly, there is increasingly a younger patient population that is electing to get cataract surgery for various lifestyle sort of reasons, let's call it. And that's certainly impacting the size of that market or the growth of that market.

You're still seeing sort of the elderly population elect for cataract surgeries as it comes up and that's also impacting that market as well.

Our understanding is also that they're going to try to file for the approval of Omidria in Europe, which should be a significant tailwind on the sales of the drug outside of just the cataract.

Ash Verma

Yeah. And just my last question. So on Zejula, for the endometrial cancer, when can we expect the data readout on this endometrial indication? Is this something that we could get by ASCO next year? Or is kind of the—what would good data look like to you for this indication?

Behzad Khosrowshahi

Obviously, we're not in charge of clinical trials, and we don't have a lot of privity into that, but our expectation is that positive data, hopefully, showing at least PFS, if not OS, will be released sometime next year in time for approval shortly thereafter.

Ash Verma

All right. Okay. Great. Thanks a lot for taking our questions. That's it from my side.

Behzad Khosrowshahi

Thank you.

Operator

Your next question comes from Adam Buckham of Scotiabank. Please go ahead.

Adam Buckham — Scotiabank

Hey, good morning. Thanks for taking my questions. So first one for me, I was just hoping to get an update on deal pipeline versus Q2.

Behzad Khosrowshahi

Adam, good morning. Thank you very much for taking the time. Appreciate it. You know, our deal pipeline is showing a great deal of strength, or continued strength relative to Q2, and certainly, relative to other periods of time over the past 20 years that we've been in this business.

And so, we have a good pipeline that's continuing to develop, and we're seeing strength in our pipeline across the three verticals in which we do business, so both, our deals with inventors, academic institutions, as well as corporations.

The deals that are coming into our pipeline are quality deals, sort of that meet the criteria that we look for. The size of our pipeline is sitting at slightly over $1 billion.

We have two deals under exclusivity right now. We have a number of deals, about three or four deals, that we hope to get under exclusivity this month or early part of next month before the holidays. And then we have a couple deals that are in earlier stages of development that we hope to get under exclusivity this year.

Adam Buckham

Great. Thanks for that colour. It's helpful. And just in terms of the liquidity position, is there anything we need to be thinking about in terms of the available credit that you guys have in terms of your ability to sort of execute on those near-term deals?

Stewart Busbridge

As you know, we have our credit facility in place, and obviously that's all in good standing, and we continue to have access to that.

There are covenants within that based on EBITDA and net book value that, you know, pro forma for each deal. So, we continue to monitor the availability for individual deals on that basis, but the banks have been very supportive and we work with them pretty regularly, and we feel pretty comfortable that we have access to the capital needed to execute on the pipeline.

Adam Buckham

Awesome. Thanks for that. Look forward to what's next.

Stewart Busbridge

Thank you.

Operator

Your next question comes from Endri Leno of National Bank. Please go ahead.

Endri Leno — National Bank

Hey, guys. Good morning. Thanks for taking my questions. I'll start. I have a couple of product commentaries that were in the MD&A, but I was wondering if you can talk a little bit about the Spinraza royalty outlook, number one.

And then Oracea's sales mix that you said impacted a bit the royalty this quarter, and just how you see that sale mix going forward.

Stewart Busbridge

Yeah, on Spinraza, obviously the—there's the competitive environment out there that has put some volatility into that. Our understanding is that sales have stabilized. Biogen has put out their Q3, so we have some visibility into what we expect in the next quarter, and that appears to be flat to the previous

quarter, so that, again, appears to be stabilizing. So, it's an evolving market there and an evolving competitive dynamic, but again, we continue to see good value in Spinraza and good cash flow coming out of that asset.

In terms of Oracea, the issue there is our mix of the branded Oracea and the branded generic that we have an entitlement on and, obviously, the branded generic has a lower price point. And it's really the mix of which is covered by the various payors and this past period has been—the mix has drifted towards the branded generic. The version that's covered is reviewed annually and we're hoping that the payors switch that coverage to the branded version which would help our sales and royalty forecast there.

Endri Leno

Okay. Great. Thank you. That's good colour.

And one last one for me. I was wondering if we can talk a little bit. I noticed an announcement from the federal government in Canada on a buyback tax and just kind of how you're thinking about it, whether it impacts on you and any kind of change on the return of capital strategies.

Stewart Busbridge

Yeah. Without getting into opinions, obviously it has an impact. It puts an additional cost on buying back shares. So, in evaluating the price at which we would buy back shares, and relative to the other alternatives for our capital, that puts a bit of an anchor onto the share buyback.

But at the end of the day, it's really going to be the total price that we would be required to pay to buy back our units and we'll evaluate that accordingly. This just puts a little bit of an extra cost on it.

Endri Leno

Yeah. No, great. Thanks for the colour. That's it for me.

Operator

Your next question comes from Doug Miehm of RBC Capital Markets. Please go ahead.

Doug Miehm — RBC Capital Markets

Yeah. Good morning, everyone. A couple questions. Just following on the sort of pipeline question, I am curious, given the Company has been adding to the team some significant members, how should we think about the pace?

You indicated that we've got a couple under exclusivity and perhaps a few more in the short term. But can you talk about those products relative to your 12 percent targeted IRR and how we should be thinking about that in a rising rate environment?

Behzad Khosrowshahi

Doug, thank you for the question and thank you for taking the time to join the call. I think our underwriting, just like anybody else's and any business, has to be ultimately related to interest rates, we operate in a fairly what I call private market and so it's an environment that typically takes—has a little bit of a lag to catch up to where the interest rates are.

But as time goes on, the pricing in our market will eventually reflect the interest rate environment that is prevailing and I expect that to happen over the next quarter as sort of people become accustomed to it and this particular market catches up to things.

I think from our end, we want to be super disciplined about the assets that we're deploying our capital into and we want to pick and choose the highest quality deals that we can find. And ultimately, we want to deliver portfolio returns that are consistent with our past track record and we don't intend to sort of deviate from that.

Doug Miehm

That's great. Second question, you've accomplished a lot in the last little while with the number of deals that you've completed. I'm just wondering, when you've been talking to investors more recently, what's the primary focus or general focus of these investors? And what are they happy with and what do you feel they're concerned with?

And then just in talking about that, given that you're trading at about 0.7 times our estimated NAV anyway.

Stewart Busbridge

That's a complicated question, Doug. Look, not to speak for all investors, but I think there's a recognition that the execution of our business plan and the plan that we articulated at the time of the IPO and since, that we've been executing and executing at a high level. There's just the raw deployment numbers, but there's also the deals that we've done and the types of deals that we've done. And there's a recognition of the individual merits of each relative to our existing portfolio and the characteristics of it. So we've heard and received support for that.

In addition, our assets are performing well overall and we tend to, certainly, relative to internal expectations, are meeting or exceeding and hopefully, those of you and your colleagues, but our assets are performing well. We're generating a lot of cash and the value at which the trust acquired those assets has been a positive.

In terms of challenges, obviously, we're in a tough capital markets environment and our stock has been affected by that and certainly, we've received lots of suggestions and advice around what we can do. And we've done that over the last year and a half.

You saw we put the normal course issuer bid back in place just to allow us to provide a little bit of support and use some of our balance sheet to buy back some units should the price allow.

But I think there's a lot of support and encouragement to continue to do what we do and that's buy high quality assets that will deliver good returns and growth for unitholders. And that's kind of what we're hard at work in doing.

Doug Miehm

Great. Thanks very much.

Operator

Your next question comes from Rahul Sarugaser of Raymond James. Please go ahead.

Rahul Sarugaser — Raymond James

Morning, Behzad, Stewart, Chris. Thanks for taking our questions. I just want to quickly start with Natpara and Takeda's struggles. You put out an update back in early October. I just wanted to see if there was any further update to that and what your strategy is around Natpara.

Chris Anastasopoulos

Good morning. Yeah, with the news from Natpara, it triggered us to do an internal review. From an accounting perspective, it was an impairment trigger, so under IFRS, we had to do that.

So we've got an internal team that reviewed the various potential scenarios for Natpara, given the commercial and legal options that we have available to us to mitigate the impact of Takeda's announcement.

So, at quarter-end, based on that initial assessment, given it was only a few weeks since the announcement was made, we didn't record an impairment because those scenarios did not result in one.

We're going to continue to review these scenarios as we've got more time and sort of refine them, and we'll continue to look at that to see where we land in terms of how we value Natpara going forward.

In terms of performance, as Stewart mentioned, Natpara continues to perform well. We expect that to continue over the next period, just based on the fact that it is the only drug in the market for that condition at this time.

Rahul Sarugaser

Okay. That's great. Thanks. That's very helpful. And then just a quick second question. We're sort of seeing a bit of a bimodal distribution in the size of your deals, initially around $25 million to $35 million, and then the most recent deal at $125 million.

Behzad, you talked about your relatively robust pipeline. So, going forward, how should we be thinking about the average size of deals? Or should we be thinking about, again, sort of this more bimodal distribution of types of deals?

Behzad Khosrowshahi

Appreciate the question. I think our average size of deal historically has been anywhere in sort of the $65 million to $85 million range, depending on the time period that we've been operating in. I don't really see that changing. I appreciate the bimodality that you've seen recently. I would just say that that's just – it's not an indication of the future necessarily. It just is more of a coincidence than anything else.

Rahul Sarugaser

All right. Terrific. That's very helpful. We'll get back in the queue.

Operator

Ladies and gentlemen, once again, if you would like to ask a question, please press *, 1 at this time. Your next question will come from Tania Armstrong-Whitworth of Canaccord Genuity. Please go ahead.

Tania Armstrong-Whitworth — Canaccord Genuity

Good morning, gentlemen. Just a couple for me. So first off, I noticed you've started including that loan to CTI in your accounting at the royalty entitlements you have.

Wondering, looking at your pipeline, would you consider making any additional loans just given where interest rates are sitting? Or are you still primarily targeting royalty entitlements and would only consider loans if it helped you get a royalty entitlement for instance?

Behzad Khosrowshahi

Tanya, thank you very much for taking the time. I think I would go with option two. Our main focus is to buy royalties on approved and commercialized pharmaceutical products. If, in the course of a deal, having a loan as part of that deal helps us get the deal, then certainly, we would consider it, but the core part of our portfolio and the majority of our portfolio will always be focused on royalty streams or traditional royalty streams.

Tania Armstrong-Whitworth

Okay. Excellent. And then in terms of what you're seeing pipeline-wise, it seems like the size of the pipeline stayed relatively stable quarter over quarter. But looking ahead, just as some of these companies may need access to capital and it may not be coming from the equity markets, do you think there's the potential to see an uptick in available royalty entitlements come up for sale?

Behzad Khosrowshahi

Yeah, and I think we're already seeing that in the longer-term pipeline that we also have. So the pipeline that I go through with investors and yourselves is sort of our near-term, next six to nine months kind of deals; and then our longer-term pipeline is already growing pretty rapidly as an indication of further deals that could happen during the course of the year next year.

Tania Armstrong-Whitworth

And is that weighted one way or another towards more big pharma deals versus biotech deals? Or is it kind of all over the place?

Behzad Khosrowshahi

It tends to be weighted right now more towards biotech than other segments, but there's academic deals in there, there's inventor deals in there as well. But at the present time, which is, I think, a reflection of the market, it's more biotech-weighted.

Tania Armstrong-Whitworth

Okay. Excellent. And then in terms of competition in bidding, as money is moving away from the equity markets, have you seen any uptick in competition as perhaps investors want to put more money towards things like stable investments like royalties?

Behzad Khosrowshahi

No, we haven't seen any increase in the amount of competition in our base.

Tania Armstrong-Whitworth

Okay. Excellent. That's all for me. Thank you.

Behzad Khosrowshahi

Thank you.

Operator

There are no other questions, so at this time, I will turn the conference back to Mr. Khosrowshahi for any closing remarks.

Behzad Khosrowshahi

Thank you very much. Thank you very much, everybody, for taking the time to join this conference and ask questions. We appreciate it. Thank you.

Operator

Ladies and gentlemen, this does conclude your conference call for this morning. We would like to thank everyone for participating, and you may now disconnect your lines.