NASDAQ:AIP Q2 2026 Earnings Call Transcript

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Operator | Conference Operator:

Good afternoon, everyone, and welcome to the Art Terris second quarter 2026 earnings call. Please note this call is being recorded and simultaneously webcast. All material contained in the webcast is the sole property and copyright of Art Terris, with all rights reserved. For opening remarks and introductions, I would like to turn the call over to Erica Mannion, at Fudge Fire Investor Relations. Please go ahead.

Erica Mannion | Investor Relations, Fudge Fire:

Thank you, and good afternoon. With me today from our terrace are Charlie Janac, Chief Executive Officer, and Nick Hawkins, Chief Financial Officer. Charlie will begin with a brief review of the business results for the second quarter end of June 30, 2026. Nick will review the financial results for the second quarter of 2026, followed by the company's outlook for the third quarter and the full year of 2026. We will then open the call for questions. Before we begin, I'd like to remind you that management will make statements during this call that are forward-looking statements within the meaning of federal security laws. These statements are based on management's current expectations and assumptions and involve material risks and uncertainties that cause actual results to differ materially from those anticipated. and you should not place undue reliance on forward-looking statements. Additional information regarding these risks, uncertainties and factors that could cause results to differ appear in the press release ARTERIS issued today and in the documents and reports filed by ARTERIS from time to time with the Securities and Exchange Commission. Please note, during this call, we will cite certain non-GAAP measures including, among others, Non-GAAP net loss, non-GAAP net loss per share, and free cash flow, which are not measures prepared in accordance with U.S. GAAP. The non-GAAP measures are presented as we believe that they provide investors with a means of evaluating and understanding how the company management evaluates the company's operating performance. These non-GAAP measures should not be considered in isolation from, as substitutes for, or superior to financial measures prepared in accordance with U.S. GAAP. A reconciliation of these non-GAAP measures to the nearest GAAP measure can be found in the press release for the quarter ended June 30, 2026. In addition, for a definition of certain of the key performance indicators used in this presentation, such as annual contract value and remaining performance obligations, please see the press release for the quarter ended June 30, 2026. These key performance indicators are presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may differ from similarly titled metrics or measures used by other companies, securities analysts, or investors. Listeners who do not have a copy of the press release for the quarter ended June 30, 2026 may obtain a copy by visiting the investor relations section of the company's website. In addition, management will be referring to the second quarter of 2026 earnings presentation, which can be found in the investor relations section of the company's website under the events and presentations tab. Now, I will turn the call over to Charlie.

Charlie Janac | Chief Executive Officer:

Thank you, Erica, and thanks to everyone for joining us on our call today. The Ontario second quarter of 2026 produced multiple record-breaking results. We reached another record annual contract value plus royalties, exiting the quarter at $99.5 million, representing a 44% year-on-year increase. We achieved record revenue, royalties, and RPO backlog. Licensed deal flow in the quarter was driven by several large deals with existing and new customers. These wins spanned all key verticals, led by growth in enterprise computing and automotive, followed by Aerospace and Defense, Communications, Consumer Electronics, and Industrial

Markets for varieties of semiconductors including chiplets, system-on-chip or SOCs, application-specific integrated circuits or ASICs, field programmable gate arrays or FPGAs, and microcontrollers. Further to our diversification strategy, no single customer made up more than 10% of our revenue in the first half of 2026. Our customer design activity was healthy again in a quarter. For the trailing 12 months to June 30, 2026, our customers reported 21% higher number of design starts year over year. Rapidly evolving high-performance computing, or HPC, workloads continue to drive demand for more complex chips and triplets across data centers, smart jet devices, and physical AI systems. This, in turn, is increasing the demand for Arteris products that help deliver the underlying high-performance, efficient, safe, and secure data movement essential to semiconductors in the AI era. In the second quarter of 2026, the majority of our customers' design starts supported AI or HPC use cases as part of the device, and this trend is continuing. Data center chip and chiplet development continues to be a key revenue driver for Arteris. Over the past four quarters, enterprise computing has made up an average of 29% of Arteris ACV plus royalties with AI infrastructure representing some of the biggest deals in the second quarter. As an example, one of the world's largest hyperscale cloud companies has chosen to adopt and standardize Arteris for its infrastructure silicon system IP. Arteris technology will enable the high performance and energy efficient semiconductor data movement for the next generation of data centers. Large-scale compute must adapt quickly for rapidly evolving software workloads that require ASICs, SOCs, and chiplets with interconnect that can support the throughput, bandwidth, and power requirements, making Arteris the obvious choice for scale-up and scale-out architectures. Another example, of Arteris Progress in Data Center Applications was a large win with one of the top U.S. semiconductor design houses building custom ASICs for various hyperscalers, where Arteris FlexGen Smart Knock IP is increasingly being used for the underlying data movement in chiplets and multi-die chips to support high-end scale-up AI compute. Additionally, we announced that SpeedData, developer of the Purpose-Built Analytics Processing Unit, or APU, has deployed Arteris in its Callisto processor that runs large volume analytics processing for applications which require high bandwidth capable chips, often in data centers. Physical AI, from automotive to aerospace and defense, and along with industrial applications such as robotics, continues to experience strong and growing demand for Arteris products and solutions. Here, performance, energy, safety, security, and proven reliability are essential for foundational semiconductors. Li Auto, a leader in China's new energy vehicle market, has successfully deployed its in-house designed autonomous driving chips in their newest SUV model. Multiple chips designed with Arteris are used in each vehicle and run 2,560 trillion operations per second or tops to effectively and safely perform autonomous driving and other advanced driving tasks. As customers take deliveries of these vehicles, we are starting to see initial royalty contributions. Another example is CyEngine, a provider of advanced automotive chips, selecting Arteris for its next generation SOC platforms with the intelligent cockpit, advanced driver assistance applications, and AI cockpit drive fusion solution with high performance and functional safety requirements. On the product side, We're seeing equally strong momentum with customer adoption of new technologies. Following the acquisition of Cycuity earlier this year, which provides semiconductor cybersecurity assurance, we recently announced an expanded partnership with Arm. The Cycuity hardware security assurance technology is already in use by Arm during the design phase of selected CPUs. Moving forward, ARM engineering teams are expanding their adoption of SciQuity technology across additional next-generation processors to help identify and mitigate potential security weaknesses and vulnerabilities supporting the delivery of robust and resilient CPUs. We are honored to be supporting the ARM leadership in the application of cybersecurity hardware assurance for safer CPU hardware. We see similar cybersecurity hardware assurance opportunities with other IP suppliers, semiconductor companies, and system houses, building silicon for applications ranging from AI infrastructure to mission-curricle applications, where cybersecurity is rapidly moving from a should to a must technology, accelerated by rapid development in frontier AI models and growing sets of required standards and regulations. On the NOC IP front, The number of FlexGen Smart Knock customers continues to grow as customers are increasingly seeing the value in automation and wire-length efficiency, which helps reduce power, that our various Smart Knock IP offers. In the first half of 2026, we closed multiple seven-figure deals for FlexGen with major semiconductor customers. On the ecosystem front, we announced a collaboration with IC-Link by IMEC which is IMEC's service provider for high-end ASICs and silicon photonics. Arteris technology will be deployed as part of their ongoing efforts to accelerate and simplify the development of next-generation HPC chiplets and ASIC chips. Our

customers continue to innovate in exciting hydrolux areas. All of these require a combination of high performance, energy efficiency, safety, and security. Overall, Arteris Thank you for joining us. and additional parking acquisitions. As previously announced, Michal Hawkins will be retiring following a distinguished tenure as our CFO. Michal helped lead Arteris through its successful IPO, built an excellent finance organization, delivered at or above financial guidance on nearly all financial metrics and was instrumental in achieving a positive free cash flow operation while laying the foundation I'm very grateful for his leadership and contribution to Arteris over the years and wish him the best in the next chapter of his life. I am pleased to share that Saurabh Sinha will join Arteris as our new CFO starting on September 8, 2026. Saurabh comes to us from Ava Technologies where he was instrumental in taking the company public on NASDAQ and in managing financial operations, capital allocations, We expect a smooth transition and remain focused on executing our strategy, meeting our customers' growing needs, and delivering shareholder value. With that, I want to again thank Nick for having been an invaluable partner, and I'll turn it over to him one last time to discuss our financial results in more detail.

Nick Hawkins | Chief Financial Officer:

Thank you, Charlie. Good afternoon, everyone. As Charlie mentioned, this is my final learning school for Arteris, and I am delighted to be handing over the reins to Sarah next month. I have absolute confidence that he will continue the solid financial stewardship of the company, and he will be supported by our exceptional global finance team. This has been a great and enjoyable journey, and together we have delivered many remarkable achievements that have benefited our stockholders and our people. As I review our second quarter results for 2026 today, please note I will be referring to GAAP as well as non-GAAP metrics. Please also note that a reconciliation of GAAP to non-GAAP financials is included in today's earnings release, which is available on our website. Also, as a reminder, I will be referring to the 2Q 2026 earnings presentation, which can be found in the investor relations section of the company's website under the events and presentations tab. We had a strong second quarter, beating the top end of our guidance for revenue and ACP plus royalties. Non-GAAP operating income was impacted by unexpectedly high employer payroll taxes related to French employee RSU vesting, which totaled $1.7 million in the quarter, and this increased expense was driven by a much higher stock price during the June quarter. Turning to slide 5 of the presentation, total revenue for the second quarter was $24.1 million, up 46% year-over-year, and above the top end of our guidance range. Notably, trailing 12-month royalties was $8.6 million, 65% higher year-over-year, setting a new record high. Royalties continue to show strong growth. Driven by a healthy mix of customers across all of our verticals and with exciting new royalty streams coming online every quarter. At the end of the second quarter, ACB Plus royalties was $99.5 million, up 44% year-over-year, above the top end of our guidance range, once again a new record high. The remaining performance obligation to our RPO, which is our contracted future revenue at the end of the second quarter, totalled $135 million, another all-time high for our terris. We expect just over half our RPO at the end of the second quarter will be recognised as revenue in the 12 months starting July 1, 2026. Non-GAAP gross profit in the quarter was $21 million, representing a gross margin of 87%. GAAP gross profit in the quarter was $20.5 million, representing a gross margin of 85%. A reminder that our 2026 gross margin now reflects the inclusion of subcontractor costs as cost of revenue for certain security government contracts. Now moving to slide 6. Non-GAAP operating expense in the quarter was $25.5 million, Our OPEX was slightly above trend as a result of the RSU-driven payroll taxes that I mentioned earlier, together with higher commissions resulting from a very strong deal flow quarter. As a reminder, our long-term operating leverage model is to limit our OPEX grossly. We continue to believe that our investments into product development and customer success will help to accelerate our top line growth in coming years. Total gap operating expense for the second quarter was $34.4 million, which included acquisition-related expenses of $2.2 million. Non-gap operating loss in the quarter was $4.6 million. Gap operating loss for the quarter was $13.9 million. Non-GAAP net loss in the quarter was $4.7 million or diluted net loss per share of $0.10. GAAP net loss in the quarter was $14.1 million or diluted net loss per share of $0.30. Moving to slide 7 and turning to the balance sheet and cash flow. We ended the quarter with $123 million in cash flow. Thank you very much. I would now like to turn to the outlook for the third quarter

and the full year 2026 and refer now to slide 8. For the sake of clarity, NGRI guidance for the third quarter and the full year takes into account the higher run rate of French employer payroll taxes on RSU vesting. For the third quarter, we expect ACB plus royalties of $99 to $103 million, revenue of $24 to $25 million, Non-Gap Operating Loss of $3 to $1 million. As a reminder, we are no longer guiding quarterly free cash flow. As we look forward to the full year 2026, we are seeing continued strength in semiconductors and signs of an upward trend cycle in the market. Consequently, we are raising our full year revenue guidance. For the full year 2026, our guidance is as follows. ACB Plus Royalties to exit 2026 at $102 to $106 million. Revenue of $95 to $98 million, an increase of $3.5 million from prior guidance and representing a 37% year-over-year increase at the midpoint. Non-GAAP operating loss of between $10 to $7 million. Non-GAAP free cash flow of positive $5 to positive $9 million unchanged from prior guidance. We are seeing a strong start to the third quarter, with momentum and increasing customer engagement leading us to believe that we will see continued strength in the second half of the year. Building on our strong revenue growth, coupled with carefully focused expense discipline that is delivering operating leverage, we continue to believe that our terrace is on a path to profitability and we expect to report a non-gap operating profit. With that, I will turn the call back to the operator for the Q&A portion of the call.

Operator | Conference Operator:

Thank you. Ladies and gentlemen, if you'd like to ask a question, please press star 1 on your telephone keypad. If you'd like to withdraw a question, press star 2. One moment, please, for your first question. Your first question comes from Kevin Gerrigan from Jefferies. Please go ahead.

Kevin Gerrigan | Analyst, Jefferies:

Hey Charlie and Nick, congrats on the great results and Charlie, great working with you and hope you enjoy your retirement. Hey, can you talk more about the expanded partnership with ARM with Psycuity? Should we think about it as a licensing deal and then get royalties and does that displace a competing solution or is this a greenfield opportunity?

Charlie Janac | Chief Executive Officer:

So it is a greenfield opportunity. There isn't actually a whole lot of commercial solutions for what Psycuity does. Essentially, what ARM is using it for is to identify potential weaknesses in the high-end and mid-range CPU designs, right? And basically, they are essentially taking a leadership position about making the designs that they deliver to their customers be essentially have significant amount of hardware security assurance. So it's a greenfield opportunity. There's opportunities for expansion. And, you know, we think that other processor-type companies should be taking the lead of Arm in deploying cybersecurity hardware assurance solutions. And I would also like to thank Arm that they allow us to announce it because Security has a significant number of very impressive customers. but people tend to be secretive about security so Arm is very, very nice to let us announce it.

Nick Hawkins | Chief Financial Officer:

There you go. Okay. This is Nick. I just want to chip in. You said that Charlie was retiring. I know that was a slip of the tongue and you know that it's actually me who's retiring but I just want everybody else who might be listening for school to know that Charlie's not retiring.

Kevin Gerrigan | Analyst, Jefferies:

Yeah, I apologize for that. It's been a long week so far, my fault. And then, so I guess, you know, just kind of going off that, does the addition of Psycuity allow you to negotiate a higher royalty rate with customers?

Charlie Janac | Chief Executive Officer:

No. So Psycuity, at least so far, has been a non-royalty-bearing sort of software EDA-type model. You know, in the future, there are opportunities between the network on chip and security to actually not only identify weaknesses, cybersecurity weaknesses, but also to fix them. So, there might be some opportunities there, but right now, it's a non-royalty-bearing product.

Kevin Gerrigan | Analyst, Jefferies:

Okay, perfect. Thanks, guys, and make and enjoy retirement.

Nick Hawkins | Chief Financial Officer:

Thank you, Kevin. It's been a delight working with you for the last several years.

Operator | Conference Operator:

Your next question comes from Josh Bacalter from TD Cowan. Please go ahead.

Josh Bacalter | Analyst, TD Cowen:

Hey, guys. Thanks for taking my questions, and let me echo the congrats to Nick on retirement and say thank you for all the work over the years, and also, Charlie, thank you for staying with us. Maybe to start, you called out Did the U.S. Design House win on an ASIC platform, I think, using, you know, for chiplet and multi-die offerings? Can you elaborate on, you know, is this a new customer and maybe speak to what type of applications and maybe timeline to materiality for this revenue contribution? Thank you.

Charlie Janac | Chief Executive Officer:

It's not a new customer, but it was a very small customer, a relatively small customer prior to this. But essentially... The hyperscalers are employing a number of different business models. They buy commercial chips from Intel and maybe ARM in the future. They are building accelerators themselves. And they're also working with partners to build chips to their specification. And this, you know, a large semiconductor company, one of their, you know, strong business product lines is that they They build chips for hyperscalers, and they have, after extensive evaluation, decided to use Arteris for fulfilling those designs.

Josh Bacalter | Analyst, TD Cowen:

Thanks for that, Charlie. Data center hyperscaler application. Got it. Okay. Thank you for that, Charlie. And then maybe to follow up, I thought the Lee Auto announcement was interesting as well, especially given it's in for an in-house autonomous driving chip. Any way you can size this opportunity and maybe how big China Auto is overall within your royalty portfolio, how big it can be over the next couple of years? Thank you.

Charlie Janac | Chief Executive Officer:

I think I'll defer to Nick on the royalty question. But we have a strong presence in the China automotive market and also with China automotive OEMs. And So Li Auto is just one of the opportunities that we are pursuing, or have pursued, and this has been underway for a while, and they are starting to ship their system in a car, in actually real-world cars. But as far as the royalty percentage in China, Nick, do you want to take that one?

Nick Hawkins | Chief Financial Officer:

Sure, absolutely, Charlie. Hi, Josh. So, yeah, so Li Auto is a mid-size Chinese EV company. So their volumes can be meaningful, and they are growing. So we're delighted that they have started to send checks so rapidly. This is a feature of the Chinese automotive market. As far as how far it can go, the jury's out on that. We'll have to wait and see. But typically, if you go back to any automotive royalty screen that we've seen in the past, typically you see a ramp over the first three years. Not necessarily totally even, but there is a ramp over the first three years and then it Thank you both.

Operator | Conference Operator:

Your next question comes from Martin Yang from Oppenheimer. Please go ahead.

Martin Yang | Analyst, Oppenheimer:

Good afternoon. Thank you for taking my question. First, Nick, hope you have a very satisfying retirement. It's been a pleasure working with you through different companies over the years. My first question is on OPEX. So the change in The annual guidance relating to profitability, is the bulk of that change related to the payroll tax increase? Is there any additional off-tax increase?

Nick Hawkins | Chief Financial Officer:

Yeah, Martin, so yeah, you're absolutely right. The majority of that decrease in NGI guidance, the two million decrease, is, as you rightly say, that is the French employer payroll taxes on RSU vesting. We had a, maybe we should have seen this coming, but we didn't. We had a very large spike in the stock price during the June quarter. and it's a tax that's levied based on the prevailing price at the date of vesting and so completely exogenous to us outside of our control. There are a couple of other things. We have had, as you saw, a lot of success and we're guiding up on the revenue front. Some of that, a good portion of that is coming from security and a lot of that is coming from government work. And government work, as you know, carries a much lower gross margin than traditional organic work or even the commercial business that security has. So those are the two big levers that have led us to that. There is also an element of this which is again a victim of our own success because our deal flow is so strong and this also affected the second quarter. Our sales commissions and FA commissions are significantly higher than we thought when we had a lower guide on revenue.

Martin Yang | Analyst, Oppenheimer:

Thanks, Nick. Next question regarding royalty and cadence of royalty. This quarter royalty has a very slight dip. So can you maybe give us an outlook on how the royalty revenue would trend into the second half or into 2017? Thanks.

Nick Hawkins | Chief Financial Officer:

Yeah. Yeah. Great observation, Martin. So I would characterize it more that the upward trajectory is slightly slower in a sequential quarter base than it was last quarter, and indeed the quarter before. There are a couple of things to bear in mind for that. One is that royalties do go through slight ups and downs. Remember we saw a down in the March quarter of 2024 when Mobileye I think it was 24th, let me correct me if I got that wrong. But it was the March quarter when Mobileye had an overstuffed channel and they had to reduce their inventory levels in the channel and so they shipped significantly less in the March quarter and then also in the June quarter. So these things can happen. There was one of our customers, I obviously can't mention who, but he had some Some logistical and supply chain issues, and that held back one quarter's worth of shipments. But that's come back on stream, so it's a pause. The growth rate, I mean, if you look at the last 12 months, over the prior year, last 12 months, at June 30, that's still up 67%, and that is still, even with that little dip, that is still well above our long-term CAGR that we've socialized with the street. You did ask about 27 as well, I'm sorry, I didn't know that.

Martin Yang | Analyst, Oppenheimer:

Right, a longer-term distraction.

Nick Hawkins | Chief Financial Officer:

So, this is another great question. So, Our long-term guide on royalties CAGR, growth rate annual, is high 30s to low 40s percent. That's what we've said in the past. Now, clearly, we are traveling at a faster rate than that today. We are, as Amber just mentioned, we're 67% up on a 12-month basis. I don't want you to assume that that rate can carry on ad infinitum. So I'm sticking at the moment. Now, Sarab, when he joins, he may come to a different view. But right now, I think it's safe to stick with the high 30s to low 40s percent. Kega and we can revisit that if we see this level of robustness and royalties and success then we can revisit that in the coming quarters.

Martin Yang | Analyst, Oppenheimer:

Thank you, I appreciate it.

Operator | Conference Operator:

Your next question comes from Suji De Silva from Rust Capital. Please go ahead.

Suji De Silva | Analyst, Rust Capital:

Hi, Charlie. Hi, Nick. Congrats on the results here, and Nick, best of luck with the transition, certainly. On the deal activity, very strong in the quarter. Maybe you can talk about the areas that you're seeing the strongest growth outside of your core auto and AI data center, just to understand where some of these areas might be inflicting earlier.

Charlie Janac | Chief Executive Officer:

Yeah, I mean, it's been a pretty broadly distributed sort of growth and deal flow. The data center has sort of taken the lead, I would say, because there's a lot of investment in data center. And we think that some of that is going to perhaps change a little bit. But I think AI is going to be everywhere. And as the cost of AI come down a bit, people are just going to need more and more chips. So we think that whatever happens with the data center investment is not going to have a major effect on us. But we're also seeing strong action in microcontrollers, automotive. We have some embedded VGA business. The space business continues reasonably well. So we're pretty happy.

Martin Yang | Analyst, Oppenheimer:

And I think we've announced –

Charlie Janac | Chief Executive Officer:

on the earnings is that for the first half, for the first time for six months, no one was more than 10% of our licensed revenue in the first half of 2026. So we're well distributed, I think.

Nick Hawkins | Chief Financial Officer:

Can I just add a couple of things to that, Sujin? Thanks for your kind words. We will no doubt stay in touch. But the two other areas that are of interesting note in terms of strong deal for one was Sakiyoti. Sakiyoti had a very solid quarter, and there are some consequences to that. You probably saw as a $2.2 million Gap, Opex Charge that went through in the quarter because we had a more robust view in terms of the likelihood of them hitting their full earn-out target which is obviously good news and secondly we're seeing some very interesting strength in some of the memory players and that is obviously Ultimately, data center related, but it has been some solid deal flow from them.

Suji De Silva | Analyst, Rust Capital:

Very interesting. And then my other question is on the, you know, you talked about data center AI generally and anything customer particular. Maybe, Charlie, you can talk about where those customers were hitting a breaking point where they cut over to you guys and what they were using in the past. Was it an in-house solution? Just to understand the cutover and maybe the reasons for it. Thanks.

Charlie Janac | Chief Executive Officer:

So the hyperscalers are a specific type of a customer. Their goal is not to make everything in-house. So our observation is that they keep buying from Intel. They keep buying from AMD. They keep buying, you know, some for the new ARM chips. But they're also building – they understand the workloads that they're dealing with through the data center better than anyone else. and sometimes they're reluctant to even share the information about how those workloads behave and what those specifications are so they're doing a lot of that workload acceleration basic work in-house and sometimes they outsource that to large companies who unfortunately the one that we got a fairly large deal in the quarter wants to remain confidential but So they're doing a combination of buying commercial chips, making stuff in-house, and also going to design partners, usually large design partners. And they, I think, are going to keep on doing that. So there's no goal on their side to go one way or the other. They just want to maintain a balance between those three approaches.

Suji De Silva | Analyst, Rust Capital:

Okay. Thanks, Charlotte. Thanks, Nick.

Operator | Conference Operator:

Ladies and gentlemen, as a reminder, if you'd like to ask a question, press star 1 on your telephone keypad. Your next question comes from Maddy DePaola from Rosenblatt. Please go ahead.

Maddy DePaola | Analyst, Rosenblatt:

Hey, guys. Calling on behalf of Kevin Cassidy. Thanks for taking my question. How do you expect physical AI products production cycle to compare to data center and automotive life cycles for driving royalty revenue?

Charlie Janac | Chief Executive Officer:

So to us, the physical AI chips look very much like automotive because you need functional safety and you need security because when mechanized systems interact with human beings, those scenarios have to be handled, right? So the functional safety and now the cybersecurity assurance are going to play very well in the physical AI space. But the design cycles we think will be significantly faster in robotics than they will in automotive. But because you have functional safety and security involved, those design cycles will be slower than you see in data center, where basically in a data center, people come up with a workload Okay, thank you.

Operator | Conference Operator:

And there are no further questions at this time. I will turn the call back over to Charlie for closing remarks.

Charlie Janac | Chief Executive Officer:

Well, thank you for joining us on our poll today. We really appreciate your interest in our terrace. We're very excited about our business and we look forward to meeting and updating you on our business progress in the course ahead. So thank you very much.

Operator | Conference Operator:

Ladies and gentlemen, this concludes today's conference call. You may now disconnect. Thank you. Thank you.