NYSE:ROG Q2 2026 Earnings Call Transcript

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Diego | Conference Operator:

Good afternoon. My name is Diego and I will be your conference operator today. At this time, I would like to welcome everyone to the Rogers Corporation Second Quarter 2026 Earnings Conference Call. I will now turn the call over to your host, Mr. Steve Haymore, Senior Director of Investor Relations. Mr. Haymore, you may begin.

Steve Haymore | Senior Director of Investor Relations:

Good afternoon and welcome to the Rogers Corporation Second Quarter 2026 Earnings Conference Call. The slides for today's call can be found in the investor section of our website along with the news release that was issued earlier today. Please turn to slide two. Before we begin, I'd like to note that statements in this conference call that are not strictly historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and should be considered a subject to the many uncertainties that exist and Rogers Operations and Environment. These uncertainties include economic conditions, market demands and competitive factors. Such factors could cause actual results to differ materially from those in any forward-looking statement made today. Please turn to slide three. The discussions during this conference call will also reference certain financial measures that were not prepared in accordance with U.S. generally accepted accounting principles. The reconciliation of those non-GAAP measures to the most directly comparable GAAP financial measures can be found in the slide deck for today's call. With me today are Ali El-Haj, President and CEO, and Laura Russell, Senior Vice President and CFO. I will now turn the call over to Ali.

Ali El-Haj | President and CEO:

Thank you, Steve, and thank you everyone for joining us today. I'll begin on slide four. We delivered another quarter of solid progress as our commercial and profitability initiatives continued to gain traction across all business units. Sales were at 216.8 million, up 6.9% from the prior year and above the midpoint of our guidance. This longer top line reflects both improving demand and share gains. Adjusted EBITDA increased to 38 million, or 17.3% of sales and adjusted EPS of 92 cents was significantly higher than the level we reported a year ago. The result mark another quarter of meaningful year over year improvement in growth and profitability. Over the last several quarters, we have focused on creating a more agile customer focused organization while improving our operating efficiency. We are making progress and continue to focus on driving action that will translate into further improvements in our financial performance and position Rogers for sustainable value creation. While the overall results reflect improvements, adjusted EPS was below the midpoint of guidance, primarily due to supply chain headwinds and a one-time facility event. The outlook for the third quarter is strong with sales expected to increase 10% versus the prior year. We expect sales to grow in all end markets with particular strength in A and D, industrial and electronics and communication end markets. Adjusted EBITDA margins are projected to reach 20% and increased year over year by 250 basis points. On slide five. Industrial remained our largest end market at approximately 37% of year-to-date sales and delivered high single-digit growth compared to the second quarter of last year. Performance was driven by continued improvement in EMS general industrial demand in both the United States and Europe. This growth was led by our silicon solution business which is experiencing healthy demand and gaining market share. Mass transit was also strong led by rail applications in the United States. The broad-based nature of this growth is encouraging and reflect both improving market conditions and the benefits of our intense commercial initiatives. Automotive represented approximately 25% of sales during the quarter. Revenue increased at a low single digit rate year over year, supported by higher sales of ADAS and ICE vehicle applications. Sales into the EV market were flat versus the prior year, as improved power substrate revenues were offset by lower orders of materials for EV batteries. On a sequential basis, EV and HEV battery sales improved. Helped by recent design wins, we expect stronger second half EV Sales as the new programs continue to ramp up. Electronics and communications accounted for approximately 18% of sales and was one of our strongest performing end markets during the quarters. Revenue increased at a double digit rate year over year from higher sales into the wireless infrastructure and smartphone markets. Smartphone sales increased versus Q2 of 25 from a favorable mix of higher end devices and continued benefits from customer share gains. Lastly, aerospace and defense sales accounted for 15% of revenue and decreased slightly from last year. Defense sales were lower due to normal variability in customer order and patterns and were partly offset by improved commercial aerospace sales in the AMS business. We expect defense sales to improve significantly while commercial aerospace demand remains strong in the second half of the year. Overall, we are pleased with the progress across our portfolio. The three largest end markets delivered year-over-year growth during the quarter, and our third quarter outlook reflects growth across all end markets. Next, I will update the progress we are making on the new products in our R&D pipeline. First, testing and validation of our microchannel cooler technology for high power AI and data center applications continue to advance with multiple customers. We are making substantial progress with our customers and feedback on the differentiated performance of our solutions remain highly encouraging. Customer evaluations continue to provide independent validation of our ability to address the demanding and many more. Thank you. Thank you. This growing engagement reflects the increasing need for advanced circuit materials capable of addressing the signal integrity challenges associated with next generation AI server architectures. Alongside these programs, we continue to advance other high potential opportunities in other markets, including EV and industrial. Turning to slide six. We are pleased to announce that Rogers will host an Analyst and Investor Day on September 30, 2026 in New York City. This event will provide a comprehensive update on our strategy, growth opportunities, and innovation initiatives. We will also outline our value creation framework, including capital allocation priorities and long-term financial planning. Additionally, we will provide greater detail on how Rogers is positioned to accelerate top-line growth from opportunities tied to AI data centers, vehicle electrification, and other attractive growth markets. I will now turn it over to Laura to discuss our Q2 financial performance and Q3 outlook.

Laura Russell | Senior Vice President and CFO:

Thank you, Ali, and good afternoon to everyone. As Ali mentioned, we are seeing solid momentum in our top-line results for Q2 and our third quarter guidance. We are also encouraged by the meaningful year-over-year improvement in our results as we continue to execute our critical initiatives. Starting with slide 7, I'll review our Q2 financial results. Second quarter sales were $216.8 million, increasing 6.9% from the prior year period and exceeding the midpoint of our guidance range. Approximately two-thirds of the sales increase was driven by stronger demand and mix, with the remaining attributed to foreign currency benefits. AES sales increased 7.8% year over year. By end market, electronics and communications sales increased, as did automotive sales. The improvement in automotive sales resulted from higher ceramic power substrate sales for electric vehicles. EMS sales improved by 6% versus the prior year. By end market, sales increased in the industrial, electronics and communications, and A&B segments. This was partially offset by lower automotive sales. Gross margin was 32.5%, up 90 basis points year over year. Adjusted EPS was 92 cents, up 171% from the second quarter of 2025. Adjusted EBITDA was 37.6 million or 17.3% of sales, an increase of 550 basis points versus the prior year period. All three metrics were within our guidance range. Adjusted EPS was below the midpoint of the guidance range due to supply chain headwinds. a one-time facility event and higher operating expenses. The cumulative impact of these items was more than 10 cents of earnings per share. Turning to slide eight, second quarter adjusted EBITDA increased to 37.6 million from 23.9 million in the prior year quarter. The largest contributor to the 550 basis points year-over-year improvement resulted from higher sales and improved product mix. Similar to the prior quarter, reductions in manufacturing costs and operating expenses also contributed to the higher adjusted EBITDA. We had a one million headwind in EBITDA versus the prior year from the ramp of our new China factory. Continuing to slide nine, I'll discuss cash utilization for the quarter. Cash and short-term investments at the end of Q2 exceeded $211 million and increased $15.6 million from the end of the first quarter. Cash provided by operations was $24.4 million compared to $5.8 million in Q1-26. Free cash flow was $18.3 million. The improved cash flow was primarily driven by higher sales and adjusted EBITDA. Overall working capital increased mainly as a result of higher sales which drove an increase in accounts receivable and inventories. Capital expenditures in Q2 were 6.1 million. We expect the full year 2026 capital expenditure range between 30 and 35 million. We repurchased 3 million of shares in the second quarter which partially offset the dilutive effect of annual share issuances. We will continue to balance return on capital to shareholders with other priorities. We continue to have a strong balance sheet which provides us with strategic flexibility. Consistent with historical patterns, we expect cash flow to improve further into the second half of the year. Next on slide 10, I'll discuss our guidance for the third quarter. Consistent with our Q2 results, we expect all Q3 financial metrics to improve versus the prior year. We're guiding Q3 revenues to be between $233 and $243 million. The midpoint of the range is a 10% increase in sales year over year. The guidance includes an expectation for growth in all four of our major end markets with significant strength in aerospace and defence and general industrial. We're gauging gross margin in the range of 33.2 to 34.2%. The midpoint of the range is 20 basis points higher than the prior year. We are realising improved margins due to higher volumes and our cost structure improvement actions. However, these are partially offset by the underutilisation during the ramp of our Keramic China factory and increased commodity costs. We expect Q3 adjusted operating expenses to remain approximately flat sequentially. Adjusted EPS is forecasted to range from $1.10 to $1.30. The 1.20 midpoint compares to adjusted EPS of 90 cents in Q3 of 2025. Adjusted EBITDA is anticipated to range from 44 to 50 million. This equates to a 19.7% EBITDA margin at the midpoint of the range, which would be a 250 basis point improvement versus the third quarter of 2025. Lastly, we project our non-GAAP full-year tax rate to be approximately 32%. I will now turn the call back over to Ali.

Ali El-Haj | President and CEO:

Thanks, Laura. In summary, we continue to make progress toward our growth and profitability initiatives in the second quarter. Revenue exceeded expectations, profitability improved substantially year over year, and our outlook points to continued momentum in the third quarters. I also want to thank our employees around the world for their commitment, agility, and focus on serving our customers. Their efforts continue to make a meaningful difference in our performance and future opportunities. That concludes our prepared remarks. I will now turn the call back to the operator for questions.

Diego | Conference Operator:

Thank you. And at this time, we will conduct our question and answer session. And to the analysts, please limit yourselves to two questions. You may re-enter the queue to ask additional questions if needed. To ask a question, please press star one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please while we pull for questions. And your first question comes from Daniel Moore with CJS Securities. Please state your question.

Daniel Moore | Analyst, CJS Securities:

Thank you. Good afternoon, Ali. Good afternoon, Laura. I appreciate the color. Maybe just a quick review and then we'll go forward. But can you just elaborate a little on the supply chain challenges as well as the one-time event that you called out during the quarter and whether those issues have been largely resolved at this point as we look into Q3?

Ali El-Haj | President and CEO:

Yeah, thanks, Dan. On the supply side, we still have some raw material experiences, some raw material shortages, as well as, I would say, logistics or from a freight perspective, it's just taking longer due to the situation in the Middle East. So typically, from transit time from four to six weeks in the past, now it's taken somewhere between over 12 weeks in some instances. That's one of the issues. On the one-time event, we experienced a small fire in one of our plants that actually ended up suspended manufacturing for a few days. And so between that and some cleanup costs on the facility, that's been resolved. And thankfully, no issues, safety issues. Our employees were safe. But that's been resolved. Regarding the freight and the freight expenses as well as the lead time, that hasn't been as obvious. That's still an ongoing issue. On the raw material side, there is still, from a silver and copper perspective, we still see some tightness in the market. However, we see a light at the end of the tunnel, if that answers the question.

Daniel Moore | Analyst, CJS Securities:

That gives great color. And then, you know, kind of looking forward, the Q2 guide implies, as you called out, 10% top line growth at the midpoint, a very nice acceleration. Growth margin, you know, was improved significantly year over year, but the guidance implies relatively moderate improvement. So maybe talk about kind of or give more color on the impact of The underutilization in China as well as in the new facility as well as some of those input cost margin pressures and just trying to get at like what gross margin might look like as we roll a little bit forward with that type of revenue and volume, you know, once we get beyond those headwinds. Thanks again for all the color.

Laura Russell | Senior Vice President and CFO:

Hi, Don. It's Laura. Let me start and give you some color and perspective of the guidance there. So you're right, at the midpoint of the guidance, the margin expansion on a gross margin basis is somewhat modest at 20 bits. But if you look further down the P&L, we continue to see substantial improvement in what we're committing from an EBITDA perspective and EPS expansion. So specifically in what's happening in the movements that we're managing in gross margins, That's really associated to the underutilisation continuing that you called out in our ramping activities with our factory in China. We are starting to build a little bit of momentum, but it will take time to ramp there. And as a result of that, it's likely to cause us about 85 bits of a headwind in the third quarter that was incorporated in the guide. In addition to that, Ali referenced the pressure that the commodity costs and supply had to our Q2 execution. And we anticipate some of that continuing into the third quarter, which will pressurize our growth margins there. Now with that said, we continue to work globally as an organization in managing our supply contracts, the timing of what we're acquiring. and looking also, you know, our copper programme and evaluating that. So we'll continue to work the process.

Steve Haymore | Senior Director of Investor Relations:

The other thing I should also mention is we also have some engineering initiatives in flight to reduce consumption.

Laura Russell | Senior Vice President and CFO:

So all of that is crystallising in short-term pressure but what we'll continue to do is work to mitigate it. Finally, I should round that out with saying we also, you know, in our customer agreements, our supply agreements, We do everything we can to mitigate the impact internally through our actions and initiatives. But worst case, there are some scenarios where we will pass on some of the incremental costs, particularly for commodities. But naturally, there's a lag and a timing impact from when that crystallized in the P&L versus when we agree with our customers on the pricing changes.

Daniel Moore | Analyst, CJS Securities:

Precisely what I assumed and would have implied. I'll stick to the two questions and jump back in queue, but certainly look forward to hearing more about the accelerating opportunities in AI and data centers in September. Thanks for the call.

Laura Russell | Senior Vice President and CFO:

You're welcome.

Diego | Conference Operator:

Your next question comes from Craig Ellis with B. Reilly Securities. Please state your question.

Craig Ellis | Analyst, B. Riley Securities:

Yeah, the first question, I'll just make it a high-level one. Ali, the business has done a very good job of showing accelerating growth over the last couple quarters and into the third quarter. We've gone from 5% year on year to 7% year on year and now 10%. So we're seeing some nice acceleration in the business. Can you talk about from your vantage point, what are the biggest contributors to this increase in growth. And as we look at some of the drivers in the third quarter to the 10% with all end markets growing year on year, to what extent are the programs underneath that really longer live programs versus things that might be just much more seasonal or short term?

Ali El-Haj | President and CEO:

Well, thanks, Greg. I think the credit goes to the team here. The organization really has performed well. I think our performance is definitely helping us here gain some market share in existing markets. So that's improving our top line obviously. In the meantime also we managed to win some new program, new businesses that will launch in Q3 and Q4 and into early 2027. So I think the momentum is going to continue again based on design wins, the performance of the organization regarding shortening lead time, the response to customer needs, quick design changes, and quick new applications adoption by, again, the market and the response from our organization. So I think really it's a broad base growth. It's not limited to one industry. I don't consider that to be seasonal. I think the momentum will continue to be you know, we continue to gain momentum here on the top line.

Craig Ellis | Analyst, B. Riley Securities:

That's really helpful. And then going back to the comments on the data center opportunity, I believe you mentioned that the micro channel cooler product and cool power plus are seeing very good engagement with customers. But I think you also said that there were some other opportunities that the company was engaging with beyond those two. And I was hoping you could elaborate on that further and give us some insight as to what could happen. Thank you.

Ali El-Haj | President and CEO:

Yeah, thanks again, Craig. I think we plan on, as I mentioned, on the investor day, we plan to share a lot more details with you guys and the investors here and a lot more details regarding all of those initiatives that we have in place. But we do have, the ones I was referring to, we have a couple of other programs in process right now related to the EV market slash auto market. And those are extremely high potential programs that the team identified in our strategic initiative. and right now they are really in motion and we think we're going to be getting substantial interest here from potential customers.

Craig Ellis | Analyst, B. Riley Securities:

Okay, we'll look forward to hearing more about that at the end of September. Thanks, Ali.

Diego | Conference Operator:

Thank you. Your next question comes from David Silver with Freedom Capital Markets. Please state your question.

David Silver | Analyst, Freedom Capital Markets:

Yeah, hi. Good afternoon. Thank you. I just want to maybe follow up on, I guess, Craig's comment about accelerating growth. But if I was looking at the slide five where you do go sales by end market, you mentioned aerospace and defense was down a little bit. due to timing, and you are looking for a bigger sequential bump from 2Q to 3Q. So I was just wondering, is the nature of the timing of orders in aerospace and defense, which I guess I consider one of the strongest end markets in the current environment, I mean, is that a big part of the sequential acceleration in sales growth. And then secondly, I was just hoping you could level set, but on the cost cutting program, $13 million that was supposed to be realized by the end of this year, I believe. Can you just set us up for that or level set us? Where are we along those lines? And, you know, what would be the pace of the remaining, you know, cost saves there? Thank you.

Ali El-Haj | President and CEO:

Gary, I'll take the first half and I'll turn it back to Laura to answer on the cost savings and the cost emissions here. With regard to the A&D, again, the first half of the year has been soft. On the defense side, I will say not the commercial piece of the business. The commercial side, if you look at the two major aircraft manufacturers, and if you look at their growth and their build year to date and year over year, Our sales to those organizations actually has been in relationship, I will say, within the same ratio, maybe even slightly higher than the ratio that they show in their numbers. On the defense side, yes, it is lower than what we expected it to be, but it is timing. So as we look into Q3, Q4, the orders that we see right now and our backlog, we see a significant growth compared to the first half of the year. The cost side, I'll turn it back to you.

Laura Russell | Senior Vice President and CFO:

Yeah, so David, on the cost side, I think you're referring specifically to the £13 million for the restructuring programme in the keramics facility. That programme restructuring is on track. It's on track to deliver the savings per the commitment that we made. In fact, there's already some of those savings materialising in the P&L, but some of what we shared, you can see... you know, there's some pressures just in terms of volumes and utilization and what we're experiencing at the time of our ramp-up and our operation in China for that same product line.

David Silver | Analyst, Freedom Capital Markets:

Okay, great. And, you know, my next question would probably be asking for some commentary about maybe your customers' behaviors, but You did mention, you know, raw material shortages. You did mention freight delays. And, you know, it speaks to kind of an uncertain environment that you're navigating here. But also, just with the geopolitics, the macro issues, you know, how would you characterize, you know, your customers' willingness to move forward on various programs. So in other words, comparing your customers' expectations or actions now compared to, let's say, January 1st, have your customers become more cautious or likely to pause progress due to one or another of the issues that you mentioned there? or would you say it's still kind of steady as she goes and moving forward on the programs as you expect?

Ali El-Haj | President and CEO:

No, I think everything today, as we stand today, everything is really as expected. We have not seen any major shift or changes either in customer sentiment or in their interaction with customers. with us or the new programs that's expected that we're working on. I think as of now, everything remains on schedule and on plan as we've been communicating the last six months or so. The only thing we've probably seen, which even could be a positive sign for us because of geopolitics and uncertainty, we've seen some customers working with us to shift production from some geographical area to another. or shift the product shipments from one region to another and being more local for local than it has been in the past. So I think that gives Rogers an advantage because we have manufacturing capabilities across the globe. So we could supply Europe from Europe, North America from North America and Asia from Asia. So I think that's an advantage for us actually. So we have not seen anything negative at all and that's why our projections remain positive and We're still emphasizing that we will see growth going forward.

David Silver | Analyst, Freedom Capital Markets:

Okay, thank you. I appreciate all the color.

Diego | Conference Operator:

And your next question comes from Daniel Moore with CJS Securities. Please state your question.

Daniel Moore | Analyst, CJS Securities:

Thank you once again. Two quick follow-ups. One, the guide for Q3, 10% growth at the midpoint. Could you maybe break that down at least directionally between end market growth, share gains, and FX, just trying to get a sense for how much of your new products and initiatives are gaining traction?

Laura Russell | Senior Vice President and CFO:

I think, Don, I'll start just in terms of FX. We're seeing that there's still a slight benefit in the guidance that's there on a year-on-year basis. but relative to what we experienced in Q2 and Q3 we're going to see quite a bit of deceleration in the effects benefits. So it's really more in the guidance there a function of the business growth around both the share gains that we've been articulating based on improved operational performance and continued focus in the innovation and being a partner of choice and some of what we're experiencing in our markets given the broad exposure we have in and numerous segments, some of which are materially off on a year-over-year basis.

Ali El-Haj | President and CEO:

Yeah, I've seen, you know, we've mentioned that aerospace and defense, it is an area for us where we see significant growth, Q3, Q4, as well as we have a couple of design lands that I think we, what I alluded to earlier, to help us in the ceramic facility in China. So we have a couple of significant wins that will start to launch toward the end of Q3 and into Q4 and Q1 of 27. So I think given all these parameters, we see more design wins, new market share gain, as well as the market growth itself.

Daniel Moore | Analyst, CJS Securities:

Really helpful. And I realize I may be running your analyst day a bit, but just trying to put some of these commentary together. The incremental opportunities around EV and auto, those comments are very intriguing. So is it ceramic? Is it technologies that Rogers has been associated with for a long time, like battery protection, thermal management, power distribution, or are these sort of newer technologies that we're alluding to beyond what we've maybe talked about so far?

Ali El-Haj | President and CEO:

I will say simply put, all of the above again. It's really a combination of all of the above. I think ceramic, I think the EMS business, it's really all of the above.

Daniel Moore | Analyst, CJS Securities:

All right. Look forward to it. Thank you.

Ali El-Haj | President and CEO:

Thanks.

Diego | Conference Operator:

Your next question comes from Craig Ellis with B. Reilly Securities. Please state your question.

Craig Ellis | Analyst, B. Riley Securities:

Yeah, thanks for taking the follow-up. It's really just a clarification. Laura, I think I heard you say that the combined impact of the supply chain issue and the facility issue in 2Q was about $0.10. What was the relative impact within the $0.10 of those two items?

Laura Russell | Senior Vice President and CFO:

Yes, you're right. It was $0.10 in total. I think I had another slight driver that I didn't mention in the callback here, but I did mention in my prepared remarks. So in actuality, there was also a little bit of an OPEX impact with some timing and investments there. And I would say roughly speaking, the raw material and freight headwinds and the OPEX was probably about 70 to 80% of the impact EPS and the residual was the one time event that Ali referenced with the small fire.

Craig Ellis | Analyst, B. Riley Securities:

Okay, got it. Thank you.

Laura Russell | Senior Vice President and CFO:

You're welcome.

Diego | Conference Operator:

Thank you. And our next question comes from David Silver with Freedom Capital Markets. Please state your question.

David Silver | Analyst, Freedom Capital Markets:

Yeah, thank you again. Just a clarification. I can't read my own writing here, but Laura, I believe you talked about a 32% tax rate. And I was just wondering if you could specify, is that the third quarter only? Is that and I'm sorry, 32% non-GAAP tax rate. Is that third quarter only? Is that full year? And then, you know, just again on the tax rate, but I believe this year's rate is running a bit above some historical years for the company. Should we expect, you know, or I know it's very early, but should we be penciling in a a lower rate for 2027. I'll stop there.

Laura Russell | Senior Vice President and CFO:

Okay so yes so the 32% is the full year outlook on the non-GAAP basis. You're correct in your observation that on a year-over-year basis we're seeing some expansion there and really that's a function of just some of them some valuation allowances and some of our jurisdictions based on the business performance. I think you know Under Ali's leadership and where the company and the team are pushing towards is a significant improvement, a meaningful improvement in the business results, which will assist us getting beyond some of those tax challenges we're experiencing. In addition, the team's already focused on what we can do and how we can evaluate improving our tax performance. So I think with all of the above, yes, you should absolutely assume that that will be working towards an improvement in that.

David Silver | Analyst, Freedom Capital Markets:

Okay, thank you for that. And then last one from me. Again, Laura, I think you talked about use of cash and you used the term balance, you know, which can cover a lot of ground, I guess. But, you know, just to my eyes, I mean, it is a very volatile publicly traded market and my sense is that private owners of assets that might be interesting to your company, you know, might, you know, might become available in a more volatile market for valuation. So just, you know, if you could just comment on the opportunity funnel that you're seeing here and, you know, in your view, is the, you know, are there more likely to be some better opportunities here in the near term than, let's say, you know, over the past couple of years?

Ali El-Haj | President and CEO:

Yeah, I think, David, I mean, this is added, by the way, but we are continuing to evaluate. We've really been very active over the last few months. So, yeah, there are opportunities that, again, Given the timing we're in, we're just not looking at the valuation based on current conditions. It has to be the strategic fit for the business. I think that's what will be more critical for us. But you're right. Maybe the timing is going to give us more of an opportunity now than a year ago or so. So I think the work is ongoing, and we're hoping in the next quarter or so to be able to share something with you guys.

David Silver | Analyst, Freedom Capital Markets:

Thank you very much. That's it for me.

Laura Russell | Senior Vice President and CFO:

Thanks, David.

Diego | Conference Operator:

Thank you. And a reminder to the audience, if you'd like to ask a question, press star 1 on your phones now. We'll pause for a couple moments to see if there are any remaining questions. Ladies and gentlemen, and with that, we have no further questions at this time, so we will conclude today's conference. Thank you all for your participation. All parties may now disconnect.