[LU] Lufax Holding Ltd.
Q1 2023 Earnings Conference Call
May 22, 2023, 9:00 PM ET.

Executives

Yong Suk Cho, Chairman and Chief Executive Officer
Gregory Gibb, Director and Co-Chief Executive Officer
David Choy, Chief Financial Officer
Xinyan Liu, Head of Board Office and Capital Markets

Analysts
Alex Ye, UBS
Emma Xu, Bank of America
Richard Xu, Morgan Stanley
Yada Li, CICC

Presentation

Operator: Ladies and gentlemen, thank you for standing by, and welcome to Lufax Holding Limited First Quarter 2023 Earnings Call. (Operator Instructions). After the management's prepared remarks, we will have a Q&A session. Please note this event is being recorded.

Now, I'd like to hand the conference over to your speaker-host today, Ms. Liu Xinyan, the company's Head of Board Office and Capital Markets.

Xinyan Liu: Thank you very much. Hello, everyone, and welcome to our first quarter 2022 earnings conference call. Our quarterly financial and operating results were released by our Newswire services earlier today and are currently available online.

Today, you will hear from our Chairman and CEO, Mr. Y.S. Cho, who will provide an update of our latest business strategies, the macroeconomic trend, and the recent developments of our business. Our Co-CEO, Mr. Greg Gibb, will then go through our first quarter results, and will provide more details on our business priorities and the key drivers. Afterwards, our CFO, Mr. David Choy, will offer a closer look into our financials before we open up the call for questions.

Before we continue, I would like to refer you to our safe harbor statement in our earnings press release, which also applies to this call, as we will be making forward-looking statements.

With that, I am now pleased to turn over the call to Mr. Y.S. Cho, Chairman and CEO of Lufax.

Y.S. Cho: Thank you for joining. As we reflect on the first quarter, it is clear that the macro and operating environments continued to pose challenges for many small business owners. However,

we are encouraged by some indications of an economic rebound, giving us cautious optimism in our U-shaped recovery. We remain committed to navigating the challenges that lie ahead and maintain our unwavering focus on building a more resilient business. We will continue to exercise patience, prudence, and preparedness for the anticipated macro upswing in our SBO segment.

Let me provide some updates for the first quarter.

First, there were some signs of a gradual recovery in the macro environment, though they remained unevenly distributed and at a nascent stage. China's first quarter GDP growth, expanding by 4.5% year over year, indicates that the country is on track for its 2023 growth target of 5%. In addition, China's National Bureau of Statistics stated that the first quarter was a promising start to the macro recovery. However, Chinese industrial profits declined 21% year over year, and we continue to see a divergence in the pace of recovery across industries.

While small business owners are becoming more confident, it may still take some time for macroeconomic tailwinds to flow through to our core SMB segment. To give an example of this improving sentiment, the Ant-PKU survey results published in February, show that approximately 80% of SBOs are optimistic about their business outlook in 2023. Over half of survey participants are expecting business volume increases of more than 50% this year. However, it is important to note that SBOs have had less than two months of normal operations in the first quarter after the spike in COVID cases and the Chinese New Year holiday. Thus, it will take time for SBOs to fully resume new business investment, which underpins lending demand.

Now, let me talk about the impact on our business. I would like to start by sharing our outlook on the U-shaped recovery. During the first quarter, we observed an improvement in credit rating mix and credit quality for new loans initiated in the last two quarters. 82% of new unsecured loan in the first quarter fell within our top three credit rating categories versus 41% a year ago. New loan growth is increasingly concentrated in our preferred top-third and middle-third regions, which we believe will prove to be more resilient as the macro environment improves. Notably, the deterioration in asset quality has slowed down substantially in the first quarter. We have also witnessed early signs of improvements in asset quality in certain economically resilient regions and industries. We expect that flow rates will continue to improve gradually through the end of this year when the operations of SMBs gradually recover. We also expect that credit charge-offs for risk-bearing loans will likely peak in the second quarter, and then gradually decline in the second half of this year. In the second half, we expect total credit costs to remain elevated, but the underlying driver will shift from past charge-offs to up-front provisioning, arising from increasing the portion of loans we provide full guarantees for. This will be supportive for net margins in 2024 and beyond. As new loan growth and the portion guaranteed by us increases progressively over the next several quarters, we anticipate that revenues will decline at a slower pace than they did this quarter. By year-end, we expect the portion of loans that we bear risk on as a percentage of the entire portfolio to exceed 40%. This ratio stood at 24.5% at the end of the first quarter.

Our ability to now focus more on new business is made possible by three factors: one, the improving macro environment; two, ongoing progress in readying funding partners for our

deployment of the model where we provide the entire guarantee; and three, the recent completion of our frontline restructuring, which was difficult but necessary. As a result, the main drivers of our U-shaped recovery are taking shape, but as we have stated previously, we expect a notable recovery in profits, underpinned by stabilized ANR, to be a 2024 event.

As part of our U-shaped recovery plan, we have implemented several strategic initiatives. We have completed the restructuring of our direct sales force and further optimized our headquarter and frontline operating costs.

Total expenses excluding credit impairment losses, finance and other costs in the first quarter decreased by 21.5% versus a year ago. The total number of direct sales force personnel decreased from 47,000 as of the end of 2022 to around 36,000 as of the end of the first quarter. We managed to retain the most productive members of our direct sales team, whose average productivity is more than double that of those who departed. In line with our plan, 80% of new business in the first quarter came from top-third and middle-third regions versus 70% a year ago.

Now that we have completed our organizational restructuring, we are focused on several priorities. Firstly, we will continue to increase the proportion of risk-bearing on new loans we enable, under which our guarantee subsidiary provides 100% credit enhancement. We are encouraged to see our funding partners' support for the model where we provide the entire guarantee.

Furthermore, as we deepen our position as an SBO advisor, we will focus on product diversification and cross-selling between our retail credit enablement model and our consumer finance business to meet customer needs. This will diversify our lending duration mix, gradually adding shorter-duration products to our longer-term duration base. Finally, we will continue to enhance productivity in our post-loan recovery efforts to claw back a portion of past credit losses.

These key initiatives are supported by our continual investment in technology. During the first quarter, we deployed new technology to help us gain deeper insights into our small business owners' daily operations. For customer onboarding, we strengthened our capabilities by further embedding facial, voice, and location-verification features. As a result, we further enhanced our ability to assess owners' business status. For the underwriting process, we introduced real-time assessments of customers' online marketing activities, allowing us to further evaluate their business momentum and repayment capabilities. These changes in credit process are augmenting our historical individual credit assessment (KYC) with deeper insights into owners' businesses and industries (KYB).

Next, let's move on to the capital markets. We successfully completed our Hong Kong listing by introduction on April 14th, marking an important milestone in our corporate development. The listing will increase our exposure to the Hong Kong market and broaden our investor base to continue to create value for our shareholders. Additionally, we are pleased to announce that we paid out the second half 2022 dividends, an aggregate amount of US$114.6 million in April 2023, demonstrating our commitment to maintaining a stable dividend policy.

Finally, as we shared in our last earnings call, we have substantially completed our regulatory rectification efforts, and the industry is entering a phase of normalized supervision. We believe this normalized supervisory framework will provide greater stability and predictability for our industry, and we will work closely with regulatory authorities to ensure our compliance with all relevant regulations.

I will now turn the call over to Greg for more details on our operating results. Thanks.

Gregory Gibb: Thank you, Y.S. I will now provide more details on our first quarter results and our operational focus for this year. Please note all figures are in Renminbi unless otherwise stated.

In the first quarter of 2023, our top-line and bottom-line performance were adversely impacted by the challenging macro environment. Our total income was RMB 10.1 billion, representing a decrease of 18.2% compared with the last quarter of 2022. This was mainly driven by the decrease in new loans enabled and the pricing pressure from our credit insurance partners. Despite the challenges on our top-line performance, we turned the corner and achieved profitability this quarter, with a net profit of RMB732 million, primarily due to a decrease in credit impairment losses.

Now, let us dive into the details of the key drivers of our top-line performance.

One of the key drivers is our loan volume. In the first quarter of 2023, our new loans enabled were RMB57 billion, representing a year-over-year decrease of 65%. This was mainly driven by our tightened credit standards on new loans enabled. Executing on our strategic initiative in response to the elevated credit impairment losses in the first quarter, we continued to prioritize higher-quality SBO customer segments concentrated in economically more resilient geographies. The proportion of new unsecured loans enabled to R1 to R3 customers, which are the top three rankings in our R1 to R6 scale, increased to 82% in the first quarter from 41% in the same period of last year. Meanwhile, the contribution from customers in the top-third and middle-third regions continued to increase and reached 80% in the first quarter of 2023, compared to 70% a year ago. New loan volumes were adversely impacted in the short run by the optimization of our direct sales team, which was difficult but necessary for the long-term development of the company. The optimization was completed in the first quarter, and we managed to retain the more experienced and productive members of our direct sales force. The average productivity of our retained direct sales employees is more than double that of those who departed.

We believe that we are on the right path and we expect to see the results reflected in upcoming quarters. Additionally, we have observed that new loan vintages enabled after we tightened our credit standards demonstrate improved asset quality compared with older loan vintages. As we focus on higher-quality SBOs, average ticket size has naturally increased as a result. Average ticket size of unsecured loans for the first quarter of 2023 increased to RMB 270,000 from RMB 240,000 for the year of 2022.

Our consumer finance business saw healthy growth in the first quarter, despite the challenges our retail credit enablement model faced. The total outstanding balance of consumer finance loans in the first quarter of 2023 was RMB29.6 billion, up 39% year over year, and credit performance

was in line with industry credit performance. Contribution from our consumer finance business grew as the percentage of new loans enabled increased from 11% in the first quarter of 2022 to 24% this quarter, further diversifying our product offerings.

Another key driver of our top-line performance is the take rate. As mentioned earlier, our take rate remains compressed, which is mainly due to elevated premiums charged by credit insurance partners. Although our tightened credit standards have the improved asset quality of new loans, credit insurance premiums have remained at an elevated level to date.

We are proactively addressing take rate pressure by continuing to modify our credit enhancement arrangements. Under these arrangements, our guarantee company provides full credit enhancement without the involvement of external credit insurance partners. We are encouraged by the fact that our funding partners are supportive of this shift. As of mid-May, 5 out of our 6 trust partners and 37 out of 78 bank partners have agreed to extend credit under the model where we provide the entire guarantee. In addition, 31 of our funding partners are already extending new loans under the model where we provide the entire guarantee. As a result, our risk-bearing by balance in the first quarter further increased to 24.5% and is expected to exceed 40% by the end of this year. We believe we have adequate capital to support our increase in risk-bearing loans, as the leverage ratio for our guarantee subsidiary was less than 2.0x as of the end of the first quarter, well below the regulatory limit of 10x. As such, we expect our take rate will gradually improve over the next several quarters as we increase the guarantee portion for new business.

Next, let's go into the details of our bottom-line drivers. The main driver of the recovery in our bottom-line was a decrease in credit impairment losses. In the first quarter, credit impairment losses declined by more than 50% to RMB3.1 billion from RMB6.7 billion in the fourth quarter of 2022. This was mainly driven by a notable decrease in provisions compared with the previous quarter, as we had taken a more conservative view on the outlook for credit quality prior to the post-pandemic reopening. As the macro environment gradually normalized and activity picked up in the first quarter, we partially released a portion of the previously-made provisions, which had a positive impact on our P&L.

The improvement in our credit impairment losses is also visible in our C-M3 ratios, the forward indicator on asset quality that we monitor closely. It stood at 1.0% in the first quarter, remaining unchanged as compared with the fourth quarter of 2022. This was primarily attributable to the increase in C-M3 for general unsecured loans from 1.1% in the fourth quarter of 2022 to 1.2% in the first quarter, partially offset by a decreased flow rate for secured loans from 0.6% to 0.5%. While the asset quality of secured loans is clearly improving, it is worth noting that the deterioration in asset quality of unsecured loans has slowed down substantially in the first quarter, as the delta in C-M3 flow rate was a 10bps increase versus a 20bps increase in the fourth quarter of 2022. We will continue to closely monitor such indicators in the coming quarters, as they are critical in determining the speed of our U-shaped recovery.

Looking ahead to the remainder of 2023, we expect credit impairment losses in each quarter to be on par with those during the first quarter. This is mainly due to our planned expansion of the model where we provide the entire guarantee during the coming quarters. The extension of such

model will increase upfront provision levels but should result in improved net margins over the medium term.

During the first quarter, we continued to make progress on our new SBO ecosystem. As a recap, our new value-added services platform, branded LuDianTong, is an open platform populated with digital operating tools and industry content to support business development for our small businesses owners. We intend to use this platform to engage potential customers at an earlier stage, deepen our interaction with existing customers, and create both new cross-sell opportunities and a new source of customer referrals. As of March 31, 2023, we had approximately 1.9 million registered customers on LuDian Tong who had submitted their complete business or personal information, an expansion of roughly seven-fold from the end of 2022 to the end of the first quarter of 2023.

As Y.S. mentioned, in the face of an uneven post-pandemic economic recovery, we are cautiously optimistic in realizing our U-shaped recovery. However, we will remain prudent on absolute levels of new growth until we see definitive improvement in overall lending demand and credit quality. While we expect to see gradual recovery in our core business metrics in the second half of this year, notable bottom-line performance improvement is expected to be a 2024 event.

I will now turn it over to David, our CFO, for more details on our financial performance.

David Choy: Thank you, Greg. I will now provide a closer look into our first quarter results. Please note that all numbers are in Renminbi terms, and all comparisons are on a year-over-year basis unless otherwise stated.

As Y.S. and Greg mentioned before, our performance was impacted by the sluggish macro conditions in China, resulting in a 41.8% decrease in our total income to 10.1 billion for the first quarter. Meanwhile, total expenses decreased by 8.8% to 9.0 billion. As a result, our net profit was RMB732 million in the first quarter of 2023.

During this quarter, our technology platform-based income was 5.0 billion, representing a decrease of 46.1%, our net interest income was 3.3 billion, a decrease of 32.8%, and our guarantee income was 1.4 billion, representing a decrease of 25.5%. As a result, our technology platform-based income service fees as a percentage of total income declined to 49.7% from 53.7% a year ago. In addition, due to the increase of income from consumer finance loans, our net interest income as a percentage of total income actually increased to 33.2% from 28.8% a year ago.

Furthermore, as we continued to better utilize our guarantee company's abundant capital to bear more credit risk by ourselves instead of through our P&C insurance partners, we generated more guarantee income, reaching 14.1% of total income compared with 11.0% a year ago.

Our other income, which mainly includes account management fees, collections, and other value-added service fees charged to our credit enhancement partners as part of the retail credit enablement process, was 227 million in the first quarter of 2023, compared to 704 million in the same period of 2022. The change was mainly due to the change in fee structure that we charged to our primary credit enhancement partner.

Turning to our expenses. We continued to prudently manage our operational expenses. Our total expenses, excluding credit and asset impairment losses, finance costs, and other losses, decreased by 21.5% year over year to 5.7 billion this quarter, as we further improved our operating efficiency. In the first quarter, our total expenses decreased by 11.8% to 9.0 billion from 10.2 billion a year ago. This decrease was primarily driven by sales and marketing expenses.

Our total sales and marketing expenses, which mainly include expenses for borrowers and investor acquisition costs, as well as general sales and marketing expenses, decreased by 32.4% to 3.0 billion in the first quarter. This decrease was driven by three factors. First, the decreased new loan sales and reductions in commissions; second, the decreased investor acquisition and retention expenses and referral expenses from platform service driven by decreased transaction volume; and finally, the decreased general sales and marketing expenses, which was driven by the decrease in new loan sales.

Our general and administrative expenses increased by 4.2% to 756 million in the first quarter, mainly due to resilient fixed costs, which are less impacted by decreased loan volume.

Our operation and servicing expenses decreased by 2.0% to 1.6 billion in the first quarter, mainly due to our expense control measures and decreases in loan balance and new loan sales.

Our credit impairment losses were 3.1 billion in the first quarter, compared to 2.8 billion a year ago, an increase of 10.9%. This was mainly driven by the increase of indemnity losses as a result of worsening credit performance due in large part to the challenging macroeconomic environment, partly offset by decrease in provision driven by the decreased loan balance.

Our finance costs decreased by 10.5% to 189 million in the first quarter from 211 million in the same period of 2022, mainly due to the increase of interest income from bank deposit, partly offset by the increase of interest expenses driven by increased interest rate.

As a result, net profit for the first quarter was 732 million, compared to net profit of 5.3 billion in the same quarter of 2022. Meanwhile, our basic and diluted earnings per ADS during the first quarter were both RMB 0.30 or USD 0.04.

On the balance sheet side, our balance sheet remains strong and solid as our cash at bank balance increased. As of March 31, 2023, we had a cash balance of 51.3 billion in cash at bank, as compared with 43.9 billion as of December 31, 2022. In addition, liquid assets maturing in 90 days or less amounted to 40.2 billion as of the end of March 2023.

As of the end of March 2023, our guarantee company's leverage ratio is only 1.7 times, whilst the regulatory limit is up to 10 times. All these provide strong support for the company to remain resilient in the face of economic downturn and to continue our dividend payout.

That concludes our prepared remarks for today. Operator, we are now ready to take questions.

Questions and Answers

Operator: Thank you very much. (Operator Instructions). Alex Ye from UBS.

Alex Ye: So my question is mainly on the pricing outlook. So could you give us some color in terms of what's the average loan pricing for our portfolio and about the pricing for the new unsecured loans?

And I guess there are two parts to this question. First, on the regulatory front, so we have been lowering the loan price in the past 2 to 3 years due to some regulatory pressure. So I'm wondering are there any follow-up comments from the regulators in terms of where we are? Do you think we have reached a level where the regulator is now more comfortable with?

And second, if we just put aside the regulatory pressure for now, and just focus on the supply and demand dynamics for the SBO segment, should we expect some further downward pressure on loan pricing ahead, given now that we are further upgrading our customer profile to better-quality borrowers, and given that the current pace of economic recovery appears to be quite modest?

Y.S. Cho: Thanks, Alex, for the question. So far, we haven't got any further instructions from regulators about further reduce APR. If you look at the first quarter APR, blended APR, for all new loans in the first quarter, it's already less than 20%. And then, if you compare with other peers, we are absolutely and obviously lower than other peers' average APR. We are quite low. So I believe we are in good shape in terms of overall APR level, and I believe that really, we'll meet regulatory requirements. And now we also have more flexibility than others for adjusting APR upwards or downwards whenever necessary.

Our overall price is more determined by market demand and supply. And also we consider our operating costs, which includes funding costs, and then credit costs, and then the operating costs, which include our sales expense. So we don't believe that our strategy to focus on higher quality customers (indiscernible) will necessarily further reduce our APR. We already have less than 20% APR for all loans. So I do not expect a noticeable change in terms of APR in the near future.

Operator: Emma Xu of Bank of America.

Emma Xu: I have two questions. The first one is about asset quality. So we see, on one hand, we see some encouraging signs of your portfolio. As management mentioned earlier that there is already some greenshoots in the business and you expect flow rate to gradually improve in the coming quarters. However, on the other hand, we saw the flow rate of your unsecured loans continue to increase in first quarter, while your total flow rate just remained flat quarter-over-quarter. So could you give us more discussion about the asset quality of your legacy loan portfolio?

And a related question is how is the collection of your charge of loans, as the management also mentioned in the report that you are trying to increase the effort to recover the past credit losses, which may contribute to the net profit in the future. So could you give us more details on this brand?

The second question is about the loan demand. So how is the loan demand so far? And is the high CGI cost the major reason that limits your loan growth in first quarter? What's your progress of moving to the 100% guaranteed model? And will we expect to see the loan growth more -- to see more strong loan growth in the second half when you move to this entirely guaranteed model?

Y.S. Cho: Thanks, Emma. The deterioration in asset quality has slowed down substantially in the first quarter. If you look at C-M3 flow rate for the total loans, it was 1.0% in the first quarter this year, which remained unchanged from the first quarter last year. But if we consider that our loan balance has been declining in this month, month after month, and if we're analyzing this -- for example, if you only compare the accounts whose month on book is less than 6 months or 12 months -- if we remove the impact from our declining balance on our net flow rate, then now we already see sort of an incremental trend.

And I believe we can demonstrate more obvious increments from the next quarter onwards, so in that we have confidence. And as the company continuously carries out new sales for the credit plan, we have now observed an improvement in credit rating mix and credit quality for new loans initiated in the last two quarters. And you know that we had a large amount of charge-off last year, so that is one of our focuses this year. We are now strengthening our cost recovery actions to claw back more from the past credit losses.

And to answer your question about loan demand, our loan demand is decided by how our SBO customers see the future economy, right? And in this regard, we haven't seen any obvious change overall. But no matter what, if you understand our monthly new sales volume and our market share, actually, our loan demand should not be a valid concern, because compared to the market size, our market share is very small. So we’re not really worried about loan demand at the moment.

And the recent decrease of new loan growth was mainly driven by our tightened underwriting credit policy and also partially to our GST reform. That was the reason. And speaking of the 100% guaranteed model, we are making great progress. We are very happy. We are encouraged to see that our funding partners are providing good support for the model where we provide the entire guarantee. By now, 5 out of our 6 trust partners, they agreed; and 37 out of 78 bank partners, they also agreed to expand credit on the model where we provide a full guarantee. In addition, 31 of our funding partners are already providing, disbursing loans under this model. So we are making good progress. And I think the whole transition can be relatively quick.

Operator: Richard Xu of Morgan Stanley.

Richard Xu: I have questions on funding costs. Just wondering what's the funding cost at the moment, basically as we change from the insurance model to the guarantee model? And what's the overall impact on the revenue take rate? And what would be the level expected to stabilize when the shift to the guarantee model is largely complete?

Gregory Gibb: Thank you, Richard, it's Greg here. If we look at the funding costs, which are about 6% overall, they have come down about 30 basis points if you look at the first quarter on a year-on-year basis. As we shift to the 100% guarantee model, we're not seeing much change in

that funding cost. In fact, probably you're seeing the market more broadly coming down. So any shift to the guarantee model is really not having a net impact in terms of funding cost increase. We think it will be quite stable as we look forward through the remainder of the year.

On the take rate, as you kind of go and look at historically, our take rates have been in the sort of 8% to 10% range. More recently, due to the higher credit guarantee insurance costs, that take rate is now closer to about the 7% to 8% range. As we then move to the 100% guarantee model, right, so if you look out over a year or a year and a half from now, when more of the portfolio will be 100% guarantee, that credit premium or credit insurance premium that was previously paid to our CGI partners will be earned by us. And that number was historically about 5% to 6%.

So if you take a base today of 7% to 8%, which is obviously compressed because of the higher CGI fees, and we move to the guarantee model, where that take rate moves over to us, then you should be looking at, on a stabilized basis over the longer term, a take rate of about 14%. So we think that's, Rich, where things will end up probably in about a year and a half from now when we've made more of the complete shift.

Richard Xu: Thank you.

Operator: Yada Li of CICC.

Yada Li: This is Yada from CICC. My question today is regarding the risk-bearing percentage. And I was wondering what is the trend of this percentage going forward? And how should we view this change and its potential impact on our top-line credit impairment losses and the bottom-line?

Gregory Gibb: Thank you. In terms of the risk-bearing percentage, as of the end of this first quarter, it was at about 24%. We expect by the end of the year, on a portfolio basis, to be over 40%. And that means as you move through the second half of the year for new loans, a much higher percentage will be under this 100% self-guarantee model.

Now as we go through that process, similar to the question that Richard just asked, that will increase our top-line revenue because you're basically moving what was paid previously to credit guarantee insurance partners onto the balance sheet. And therefore, the revenue will come with it. So that will provide the basis for a revenue increase.

As we take on more credit risk, we initially have to provision for the new loans. So that is front-loaded in the model. So what you'll see in our overall credit impairment costs, right, we had credit impairment costs in the first quarter of 3.1 billion. We expect this number over the next couple of quarters to remain stable, but what's driving it, the mix is changing. So 3.1 billion in the first quarter is mostly from the credit impairment cost from the legacy portfolio, if you will, the existing past book.

As we move into the second half of this year, you'll still be at about 3 billion or so credit impairment cost, but more and more of it will be coming from the fact that a higher percentage of the new business is done through self-guarantee. So while that carries a higher upfront cost, if we look forward into 2024, it should also improve our net margin, right, because you're shifting from a very high credit insurance cost today of over 10%, right, to a model where we think that

the new business that we're doing should perform more in line with historical levels. And that should be, therefore, constructive for our 2024 profitability.

Operator: Thank you very much. There are no more questions on the line. That concludes our question-and-answer session for today. I will now turn the call back over to our management for closing remarks. Thank you.

Xinyan Liu: Thank you. This concludes today's call. Thank you for joining the conference call. If you have more questions, please do not hesitate to contact the company's IR team. Thanks again.

Operator: This concludes today's call. Thank you for joining. You may now disconnect your line.