

# **HUSKY ENERGY**

## **Q4 2014 CONFERENCE CALL & WEBCAST**

### **TRANSCRIPT**

**Date:** Thursday, February 12, 2015

**Time:** 10:00 AM MT

**Speakers:** **Asim Ghosh**  
President and Chief Executive Officer

**Darren Andruko**  
Treasurer and Acting Chief Financial Officer

**Robert Peabody**  
Chief Operating Officer

**Bob Baird**  
Senior Vice President, Downstream

**Dan Cuthbertson**  
Manager, Investor Relations

**OPERATOR:**

At this time, I would like to turn the conference over to Dan Cuthbertson, Manager, Investor Relations. Please go ahead.

**DAN CUTHBERTSON:**

Good morning and thanks for joining us today. With me today are CEO, Asim Ghosh; COO, Rob Peabody; Acting CFO, Darren Andruko; and Senior Vice President, Bob Baird from Downstream. We will provide an update on our 2015 program and an overview of our 2014 results and then take your questions. All figures stated today are in Canadian dollars and before royalties, unless otherwise stated.

A reminder that today's call will contain forward-looking information, and I'll invite you to review the advisory in this morning's news release that outlines the various risk factors and assumptions. These are also described in our annual filings that are available on SEDAR, EDGAR and our website.

I will now turn the call over to Asim.

**ASIM GHOSH:**

Thanks, Dan. Good morning everybody. Over the past four years, we have undertaken a deliberate program to transform Husky into a low sustaining capital business. We've rejuvenated our Heavy Oil business, delivered our Liwan project and Sunrise is on the short strokes of beginning production. In addition, we have several other near-term projects in flight that will further support this transition, the result being half of our production by the end of 2016 will come from low sustaining capital projects.

To state the obvious, the industry at large is facing a new supply/demand dynamic and that continues to put pressure on oil prices and the way we are setting Husky to work is that this may persist for some time. With the major capital cost of Sunrise and Liwan behind us, we have had great flexibility in our December guidance to tailor our 2015 capital spending to \$3.4 billion. Today's adjustments and refinements allow us to maintain the backbone of our plan in these volatile market conditions.

We remain sharply focused on continuing to identify efficiencies within our business, managing our investment flows and, most importantly, maintaining a strong balance sheet, and to that end, we've identified an additional \$300 million to \$400 million in savings in our capital plan through the rescheduling of discretionary activities in Western Canada and other initiatives, and we are also targeting a further \$400 million to \$600 million in operating efficiencies, mostly through procurement and contract savings. This will include more effective partnering with our suppliers, consolidation and a standardization of services. In volatile times such as these, the strength of our balance sheet is our insurance policy.

Despite the precipitous drop in oil prices in the second half of 2014, we did achieve several significant milestones in the year. These included an increase in annual production of about 9% to 340,000 barrels a day. First, we launched the largest project in our history offshore China at Liwan, which is now delivering significant value, and that's a particularly important accomplishment in the current market environment because these earnings are not directly exposed to oil prices and we are selling our gas through a fixed price contract in one of the largest gas consuming markets in the world.

Second, we began steam injection at Sunrise and first production is just around the corner. Sunrise, of course, is another resilient, low sustaining capital project with more than 40 years of production ahead. Finally, we've brought a 3,500 barrels a day thermal in Heavy Oil on production and advanced four more thermal projects. The 10,000 barrels a day Rush Lake thermal project is also set to start producing later this year. All of these projects have low sustaining capital needs and very good full cycle rates of return. They are all a smart investment, even when oil prices are low.

Further, we have plenty of running room with several more thermal projects being scoped as we speak, and I'll remind you that we have identified a significant increase in our heavy oil resource numbers. An independent assessment conducted last year determined we have 16 billion barrels of heavy oil—discovered heavy oil initially in place in the Lloyd area, and in addition, our best estimate contingent resources in the region were increased from 107 million barrels to 1.9 billion barrels, and of that, about 54% has the potential of being recovered using thermal technologies.

I wish to emphasize that our balanced growth strategy is our lodestar. As I said in December, our business priorities for this year are safe and reliable operations, as always, a healthy balance sheet, a strong dividend and a line of sight to production and reserves growth. Our task is not to prepare for a price turnaround. It is to maintain a resilient, low sustaining capital business in line with the new price equalization point, wherever that may be.

On that note, let me turn you over to Darren.

**DARREN ANDRUKO:**

Thanks, Asim. Before I speak to our results, let me give you a few notes about our financial plan for this year. As Asim mentioned, maintaining a strong balance sheet is always a top priority for us. Our spending plan is designed to result in a moderate net debt to capital ratio around our 25% objective. Also, we currently have about \$1.9 billion available in undrawn committed term credit facilities.

Turning now to our results for 2014, total average upstream production was within guidance at 340,000 boes per day, an increase of about 9% over 2013. CapEx was within our guidance at \$5 billion. Cash flow was \$5.5 billion compared to \$5.2 billion in 2013. Net earnings in 2014 before one-time charges were \$2 billion, comparable to 2013. Those one-time charges, included a non-cash impairment of \$622 million after tax which was recorded in the fourth quarter on mature assets in Western Canada. This was related to reductions in the price forecast.

In addition, declining commodity prices and crack spreads during the year resulted in a provision of \$135 million after tax to reduce the inventory held in refining to net realizable value. Including one-time charges, net earnings in 2014 were \$1.3 billion. This also included an annual FIFO loss of \$108 million after tax in US Refining as a result of falling commodity prices.

In the fourth quarter, production rose to 360,000 boes per day, up about 17% compared to the fourth quarter of 2013. Cash flow from operations was approximately \$1.1 billion, comparable to a year ago. Excluding one-time charges, fourth quarter net earnings in 2014 were \$147 million. Including one time charges the net loss was \$603 million compared to net earnings of \$177 million in the same period of 2013.

In terms of pricing, I'll refer you to the MD&A on our website for the details, but I'll highlight a few points. The average realized price for our total upstream production in the fourth quarter was CDN\$55.53 per boe, down slightly from \$58.55 in the fourth quarter of 2013. The contribution from fixed price of Liwan gas production and the favourable impacts of a weaker Canadian dollar helped to offset the drop in commodity price.

Chicago market crack spreads averaged \$14.04 in the fourth quarter compared to \$11.91 over the same period in 2013. We saw significant decrease in our US Refining margins in the quarter, and I'll take a moment to provide some context. Before the impact of the one-time provision to revalue inventory and FIFO gains and losses, our US downstream refining margins came in at US\$11.61 per barrel in the fourth quarter. When these items are taken into account, our realized US downstream refining margin in the quarter was a loss of US\$6.62 per barrel compared to a positive margin of \$6.94 a year ago.

All right, now let's look ahead to 2015. In December, we identified some maintenance turnarounds planned for the year. Those scheduled for first quarter are in today's news release, and I'll note one item. Operations were suspended at our Lima refinery for about 10 days last month following a fire in one of the processing units. The refinery is running at about 80% of capacity and we are currently assessing the extent and timetable for repairs to the isocracker.

At the Liwan project in China, I'll point out that our gas sales are based on agreed upon volumes at a fixed price. As we look forward to the first quarter, the actual production offtake may vary slightly from our guidance; however, the cash received will be in accordance with the guidance range volume. In other words, production metrics from Liwan may vary but the cash we receive will be in the bank. As you are aware, our exploration cost recovery will be continue through the first half of this year.

With respect to our capital contribution obligation related to the Toledo refinery, we have made a US\$1 billion payment, which represents about 80% of our obligation to the BP-Husky Refining joint venture partner. We've made this payment at this time for a couple of reasons. First, the partners have agreed that the remaining US\$300 million of the balance will be paid over the next three years, with final amounts due at the end of 2017. This allows us to conserve cash this year. Second, it provides for US\$60 million in interest savings. The funds for this payment

were raised in 2014 through our commercial paper program and converted to US dollars in the second half of last year.

Finally, with respect to the common share dividend, the Board has approved a quarterly dividend of \$0.30 per share for shareholders of record at the close of business on March 13<sup>th</sup> of 2015.

Now I'll turn you over to Rob to review our operations.

**ROB PEABODY:**

Thanks, Darren. I'm going to speak to the progress we are making on our near-term growth projects, as well as other operational activities now underway, but first, I'll take a moment to comment on the incident at the Lima refinery in January. As Darren mentioned, there was a fire in the isocracker. Damage was limited to that unit. We are conducting a thorough investigation and will ensure that everything we learn will be incorporated into our day-to-day operations to help prevent a similar event from occurring again. The response to this incident was effective, in large part because of our focus on preparation and drills.

Turning now to our Heavy Oil business, we are advancing four thermal projects, all of which are scheduled to come on stream this year and next. Construction is nearly complete on the 10,000 barrel per day Rush Lake project and we expect to see first oil in the third quarter of this year. Early site work and engineering is underway at the two 10,000 barrel per day thermals at Edam East and Vawn, as well as the 3,500 barrel per day Edam West project. All three of these projects are slated to start up in 2016, starting with Edam East in the third quarter. In the current environment, we have dialed back some of our heavy oil CHOPS and horizontal drilling plans. As commodity prices improve, we can bring these types of projects back on very quickly.

Looking now at our Western Canada operations, the flexibility of our portfolio is especially evident in Western Canada, where we have many projects and a large land position. We have the ability to be choosy in speeding up or slowing down specific projects in tune with commodity prices. As Asim mentioned, additional savings have been identified in our capital expenditure program, some of which are related to rescheduling of discretionary activities in Western Canada. In other words, we have the ability to leave the oil and gas in the ground for another day.

Moving to our Downstream business, two new 300,000 barrel storage tanks at Hardisty have been completed and were brought into service last month. These new tanks will expand our blending capacity of Western Canada select and better serve our third party customers. As important, they increase our flexibility to hold more product in storage through this low and volatile price cycle. In addition, we are extending our Saskatchewan gathering system into Lloydminster to accommodate our anticipated growth from heavy oil thermal projects.

Turning now to the Asia-Pacific region, production at Liwan increased following the tie-in of the Lihua 34-2 gas field to the main Liwan infrastructure this past quarter. In Indonesia, the contract for the construction and lease of a new FPSO to develop our liquids-rich BD field in the Madura Strait has been signed. We've been making good progress in building the wellhead platform and pipeline infrastructure and production is planned in 2017. We are advancing three more shallow water gas developments offshore Indonesia and expect to see first production in the 2017 to 2019 timeframe.

Moving now to Oil Sands, our facilities at Sunrise are performing well following the start-up of steam injection in December, and we are expecting first oil around the end of the first quarter. We are continuing to warm up wells on five of the nine pads and consistent steady steam has now been introduced into 25 of the 55 well pairs. A customized mobile drilling unit arrived on site in early January to start work on new sustaining pads. This rig provides a greater drilling efficiency and, by allowing us to space our wellheads more closely together which results in smaller pads and fewer surface facility, also provides for better capital efficiency.

Sunrise will ramp up to full capacity of 60,000 barrels per day, or 30,000 barrels per day net to Husky, around the end of 2016. Pipeline space for the full production has been secured in preparation for shipping following first oil. Once again, this is a low sustaining capital project that is designed to deliver steady production for over 40 years following first oil.

In the Atlantic region, development drilling is underway at our South White Rose satellite field. We plan to bring the first two wells online in mid-2015, with anticipated peak production of 15,000 barrels per day net to Husky. Drilling at the Hibernia formation well beneath our North Amethyst field will start up again in the second quarter as the rig becomes available. First oil is expected in the third quarter of this year from the North Amethyst formation, with 5,000 barrels

per day net to Husky. On the exploration and appraisal side, our Flemish Pass program in the area of the Bay du Nord discovery is progressing as expected.

To sum up, we are pacing our projects and focusing on efficiencies and remain well positioned to deliver our near-term, low sustaining capital projects.

Thanks, and I will now turn you back to the Operator.

**OPERATOR:**

Thank you. We will now begin the analyst question and answer session. Any analyst who wishes to ask a question may press star and one, on their touch-tone phone. You will hear a tone to indicate you're in queue. For participants using a speakerphone, it may be necessary to pick up your handset before pressing any keys. If you wish to remove yourself from the question queue, you may press star, and two. One moment, please, while we poll for questions.

The first question is from Greg Parady of RBC Capital Markets. Please go ahead.

**GREG PARDY:**

Yes, thanks, good morning. A couple of questions for you. The first is just on the isocracker at Lima. I'm just wondering what the impact is on your product yield there and how critical this unit is?

**ASIM GHOSH:**

Bob, do you want to take that?

**BOB BAIRD:**

Yes. Greg, basically we're running right now at about 80% to 85% capacity, and we're still able to meet all our contractual commitments and we're basically making as much diesel as we did before the incident occurred.

**GREG PARDY:**

Okay, and then from what I understand, right, that cracker just gives you very, very good latitude if you go through seasonal swings in terms of pretty much dialing it up or down to make any



products you want. Is that—would you lose a little bit of flexibility as you go into the spring with this unit down?

**BOB BAIRD:**

Yes, we do lose a bit of flexibility, that's correct.

**GREG PARDY:**

Okay, thanks very much. The second question is, I guess surprised but positively just in terms of the billion dollar payment on the true-up. Was it strictly the interest savings that were prompting you to do it, or was it just sort of a matter of we're going to need to get this done; we might as well just do it now?

**ASIM GHOSH:**

Well, I think both of that and also the fact that as a result of this, we saved additional cash in the short term—so it really is a win-win. There are three benefits. One, the majority of the payment is out of the way, we get interest savings, and we have agreed to defer some of the payments to future years and, of course, BP's very happy to get the money. So all in all, we walked away with a smile on both faces.

**GREG PARDY:**

Okay, great. That's it for me. Thanks.

**OPERATOR:**

The next question is from Paul Cheng of Barclays. Please go ahead.

**PAUL CHENG:**

Hey, guys. Maybe this is for Bob. Bob, do you have any crude storage capacity at Cushing? If you do, can you tell us how big is that?

**BOB BAIRD:**

No, Paul, we basically have storage positions in Edmonton, Patoka and Hardisty—and some small storage in Superior.

**PAUL CHENG:**

So that means that you won't be, easily be able to take advantage of the Contango market?

**BOB BAIRD:**

No, we've got—don't forget, we have pipeline capacity that we are going into Cushing with that allows us the time to take advantage of those Contango plays.

**PAUL CHENG:**

Okay. Then maybe this is for Rob. Rob, if the CapEx going to sustain at this year level, say, \$3.4 billion for the next two or three years, how is that going to impact on your longer-term production, say by 2017, 2019? I mean, are we talking about flat production going in those years?

**ASIM GHOSH:**

Well, you know, I don't have any special tea leaves that I can read to tell me where the prices will go and where they'll come down. I mean the overall fact that I have to say is the best way to advance our business is with a healthy balance sheet, a flexible portfolio and a low sustaining capital business, and I think Rob, in his section, spoke extensively to those points.

But if I may just shed a bit more strategic context, four years ago, we set to transform Husky into a slow sustaining capital business model, and the reason for that is obvious. When one is the commodity business, one has to have the wherewithal to ride through volatility, and that means maintaining a strong balance sheet, reducing our cost base, spacing our projects and having a larger part of our portfolio in stock that can ride out a cycle without needing massive capital at any single point in time when you are in a down cycle. So we've really been working to that end for the past four years. This is not something that just became fashionable for us simply because we hit a down cycle in the price.

The other point I want to make is we have been managing our cost base for a long time, and we have actually had a significant active procurement cost reduction program and a very successful supplier innovation program, and the net result of it is we have actually already achieved \$1.3 billion in savings over the past four years. So some of the stuff that we spoke to you about today is just simply the extension of what has really been going on four years.

But, Rob, why don't you amplify maybe more specifically on the 2015 implications of that, Rob perhaps?

**ROB PEABODY:**

Yes, Asim, I will, thanks. Just on those procurement savings and building on the savings that Asim already mentioned over the past four years, as we saw the price declining, we actually accelerated our 2015 procurement savings program and we started that in September. We set an objective to save about \$300 million to \$400 million in addition in—across our capital and operating cost programs. In doing that, we actually have our senior managers sitting down with our suppliers and with our procurement people to look at what's the best way to get that cost reduction. This is in line with, you know, frankly, the long-term relationship we have with many of our key suppliers.

In fact, we have about – to give you a sense of this – we have about 3,300 contracts up for renewal in the 2015 and '16 timeframe, and that represents about 80% of our total contracts, and we'll have addressed half of those contracts by the end of the first quarter. We set ourselves a target and we look like we are realizing double-digit savings. It varies, but on average, across those contracts, and then we'll look to address the remaining 20% of our contracts on an ongoing basis, as we do in any case, but we will get to them over the course of the remainder of the year and into next. So as a result, as we sit here today, we're pretty confident in reaching our 2015 savings objectives, and I guess our sense is about 80% of those savings are sustainable in a price environment that continues to be depressed.

**PAUL CHENG:**

Mm-hmm. Rob, I don't know whether this is doable, is there a rough number you can tell us that, based on your existing portfolio, what is the sustaining capital you need in order for you to maintain frack (ph 25:40) production on a longer-term basis?

**ROB PEABODY:**

Yes, no problem, Paul. You know, we're currently investing about \$1.4 billion in our existing upstream production. The balance of the capital in the upstream—the balance of the upstream capital is directed towards new production in growth projects, including the new heavy oil thermals and the Atlantic region appraisals and Indonesia, and this allows us to offset declines while providing for growth.

**PAUL CHENG:**

Mm-hmm, okay. A final one. Bob, can you give us an update what is the contingency plan related to the US Refining operation given the strike going on?

**BOB BAIRD:**

Yes, Paul. Basically, in Lima, we have a labour agreement that carries through to 2018, so no issue there, and in Toledo right now, our joint venture partner is operating the refinery. They've had all their training and, we're monitoring the situation as it continues.

**PAUL CHENG:**

Thank you.

**OPERATOR:**

The next question is from Benny Wong of Morgan Stanley. Please go ahead.

**BENNY WONG:**

Thanks, good morning. Was wondering if you could provide an update of where Liwan volumes are right now and how do we think about that as it ramps up to your guidance, and is there anything that needs to happen for it to—for your guidance to be achieved?

**ASIM GHOSH:**

You know, basically, Husky and our partners, are aligned on optimal field performance and gas delivery to the market. I mean, as I mentioned, the production metrics may vary but the cash will still be in the bank and we are running in line with the guidance we gave in December. These cash payments will be included in our cash flow but will be recorded as deferred revenue, and when production is delivered, it'll be recognized as revenue. But fundamentally, the cash flow will be in line with the guidance we gave in December.

**BENNY WONG:**

Great, thanks. Just going back to the procurement and contract savings you guys are looking at, is any of that tied to your offshore projects at Indonesia and Atlantic region, and if so, can you give a sense of how much?

**ROB PEABODY:**

I won't give you specifics across which project, which amount, but we are—this is across the entire portfolio, so let's say no suppliers are immune. All suppliers get a chance to have a good discussion with us. So we're not (cross talking 28:17) in any particular area.

**BENNY WONG:**

Got it, thanks. Just as a final question, just at the Lima refinery, just how integrated are the facilities? I mean, as you repair the isocracker, will you need to bring down the other operations, or will it impact other operations in any other way? And I'll leave it at that. Thanks.

**BOB BAIRD:**

No. Basically, the isocracker is completely blocked in and it provides us complete access to do the repairs without having to do turnarounds on the other units.

**BENNY WONG:**

Great. Thanks.

**OPERATOR:**

As a reminder, any analyst who wishes to ask a question may press star and one. The next question is from Mohit Bhardwaj of Citigroup. Please go ahead.

**MOHIT BHARDWAJ:**

Yes, thanks for taking my question. You know, sometimes, I guess, the luck train also hits you even in down time of prices and that's why your contract negotiations let you to achieve \$400 to \$500 in savings just this year, while some of the others are still looking at a longer time period. My question is really on infrastructure and marketing. The fourth quarter number was very light and kind of follows up on what Paul was trying to ask regarding Contango. Going forward, the way the spreads are, the way the market looks like, what's your expectation on the earnings in that segment, specifically as you bring additional storage online and connect the Saskatchewan with Lloydminster gathering area?

**ASIM GHOSH:**

Mohit, we don't get that granular because this is getting to be competitively sensitive in terms of what plays you can do, so certainly, this is an area of enough sensitivity that we kind of have to

play in the (inaudible 29:58). But all I can say is, in the past, we've given you—particularly in the last Investor Day, we gave you a fairly granular look at what our various storage capabilities and what our pipeline connectivities are, and we will continue to play all of that.

**MOHIT BHARDWAJ:**

Okay, thanks, Asim, and if I could ask a quick one. After the BP payment, can you guys provide what the current cash balance position is at the balance sheet?

**DARREN ANDRUKO:**

Yes, maybe I can speak to that one, Mohit. At the moment, we—while we had used our commercial paper program in 2014 to raise the cash that we needed, we converted it to US late last year at a much more favourable exchange rate than now, and so we've basically used the cash that was on our balance sheet for that BP payment early here in 2015.

**MOHIT BHARDWAJ:**

Okay. Thank you.

**OPERATOR:**

This concludes the analyst Q&A portion of today's call. We will now take questions from members of the media. As a reminder, please press star and one, on your touch-tone phone to ask a question. If you wish to remove yourself from the question queue, you may press star and two. One moment, please while we poll for questions.

The first question is from Dan Healing of the Calgary Herald. Please go ahead.

**DAN HEALING:**

Good morning. Earlier, or I guess last month, Husky said that it had done some layoffs amongst the staff, and I was just wondering if you could be more specific today in terms of how many layoffs there have been, whether you're targeting a certain percentage of staff, and just in general terms, are there—is there a hiring freeze and a wage freeze on the go right now?

**DARREN ANDRUKO:**

Sure, Dan, this is Darren. The number has been small but we're going to continue to manage our business and our workforce in accordance with the pricing environment around us.

**DAN HEALING:**

You can't be more specific than that?

**DARREN ANDRUKO:**

Not at this time, no.

**DAN HEALING:**

Okay, thanks.

**OPERATOR:**

The next question is from Jeff Lewis of The Globe and Mail. Please go ahead.

**JEFF LEWIS:**

Hi, just a quick question. Can you elaborate on the \$622 million write down in the fourth quarter on mature assets? Which specific assets were impacted in that? Thanks.

**DARREN ANDRUKO:**

Sure. Again, this is Darren. The majority of that impairment charge in the fourth quarter related to our Rainbow asset up in Northern Alberta, and it was—and just to remind you, that really the write down was a reflection of oil prices.

**JEFF LEWIS:**

Okay, thanks.

**OPERATOR:**

The next question is from Rebecca Penty of Bloomberg News. Please go ahead.

**REBECCA PENTY:**

Thanks for taking my question. I'm just wondering if there's any update on the process to find a new CFO?

**ASIM GHOSH:**

Yes, we are making progress, as we have said before.

**OPERATOR:**

The next question is from Nia Williams of Thomson Reuters. Please go ahead.

**NIA WILLIAMS:**

Hi. I just wanted to ask about your plans, Asim. You've been at Husky a while. Are you planning to continue in your role, or are you thinking of retirement?

**ASIM GHOSH:**

I'm continuing in my role. Do you have any other plans for me?

**OPERATOR:**

Next question is from Linda Swain at VOXM. Please go ahead.

**LINDA SWAIN:**

I know you've outlined already what your plans are for the offshore Newfoundland. What impact—or if any will these cost cutting measures that you're planning have on the Newfoundland offshore?

**ROB PEABODY:**

I guess I can answer that. Again, I would just say nothing specific that I would point out on Newfoundland in particular. When we look across all our suppliers, we will again be asking and looking for some help and they'll be involved in that process as well.

**ASIM GHOSH:**

Yes, I do want to make an overall point, okay. I mean, we are talking in terms of re-prioritizing projects in view of a pricing environment at a point in time but affordability at point in time; but A, we are not cutting; and B, additionally, we are looking at efficiencies. So I think it's an important distinction we need to keep in mind across all of our businesses, but fundamentally, the core of our portfolio remains intact.

**LINDA SWAIN:**

Thank you.



**OPERATOR:**

This concludes the question and answer session for today's call. I will hand the call back over to Asim Ghosh for closing comments.

**ASIM GHOSH:**

Well, thank you all for your questions. The capital and operating efficiencies we announced today will allow us to maintain the backbone of our program, and all I can say thankfully is, you know, I've been around this mulberry bush a few times and financial discipline is bred in my bones and that's how we are running Husky today. But we've been running Husky the same way for the last four years, so there is no change. You know, we've just been prepared—as I gave you the strategic overview before Rob's procurement savings bit, we've been prepared for something like this for the last four years and we are now substantially through our transformation that allows us to ride out cycles such as this, and two years out, we'll be in an even better position to ride out such cycles. So we have the right balance of near, mid and long-term projects, and we've got a large portfolio and that gives us the flexibility to calibrate our costs in these market conditions. Thank you for joining us.

**OPERATOR:**

This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.