Conference Call Transcript

4 February 2020

Operator

Good day ladies and gentlemen and welcome to the Vodacom Group Ltd results conference call for the three months ended 31 December 2019. Vodacom Group CEO, Shameel Joosub, will host the conference call. I will read the forward-looking disclaimer before handing over to Shameel.

This announcement which sets out the results for Vodacom Group Ltd for the three months ended 31 December 2019 contains forward looking statements. These statements have not been reviewed or reported on by the Group's auditors with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives.

In particular such forward-looking statements include statements relating to the Group's future performance, future capital expenditures, acquisitions, divestitures, revenues, expenses, financial conditions, dividend policy and future prospects, business and management strategies relating to the expansion and growth of the Group, the effects of regulation on the Group's businesses by governments in the countries in which it operates, the Group's expectations as to the launch and rollout dates of products, services or technologies, expectations regarding the operating environment and market conditions, growth in customers and usage and the rate of dividend growth by the Group.

If you do not have a copy of the results announcement it is available on the investor relations website on www.vodacom.com. Please note all participants are currently in listen-only mode and there will be an opportunity to ask questions later during the conference. If you should need assistance during the call please signal an operator by pressing * then 0. Please also note that this call is being recorded. I would now like to turn the conference over to the Vodacom Group CEO, Shameel Joosub. Please go ahead, sir.

Shameel Joosub

Thank you. Good afternoon everyone and good morning to those joining the call in the US. I'm joined by Till Streichert, our CFO, and Shaun van Biljon, our Head of Investor Relations. Being quarterly results we will only focus on revenue and key performance indicators today. As with prior quarterly results, Safaricom does not report on its performance, so we will therefore not be disclosing an update on their results during this call. None of the numbers that we mention have Safaricom included unless otherwise stated.

Our results this quarter show an improved trend in the South African business and consistent growth in our international operations. South Africa has performed well despite the challenging macroeconomic environment. We had a very successful summer campaign with a more engaged customer base and we saw improved uptake of data services. Our international operations continue to deliver strong growth driven by our strategic growth pillars of M-PESA and data services. From a group perspective we now serve over 117 million customers across the group. This includes Safaricom's customers. More than half of these customers are now using data services. Group revenue was up 6.6% and service revenue was up 5.7%. Normalised growth was largely similar due to a stable currency environment.

Let's look a little bit more at South Africa. Service revenue increased 4.6%. This is similar to the underlying growth of 4.2% we delivered in the second quarter. Growth was supported by the good uptake in data services, offsetting the impact from our proactive efforts to transform data pricing. These initiatives included the significant reduction in out of bundle rates by 50% from the beginning of the year and a number of reductions in bundle prices throughout the year. These efforts have contributed to significant elasticity in usage with data traffic up 63%.

Our summer campaign was a huge success with 17 million customers engaged and 334 million free rewards redeemed by our customers. This has resulted in a higher degree of engagement and activity from these customers. We continue with the summer campaign. The trends in the contract segment improved as well with revenue growing at 4.7% and customers up 7.8% to 6.1 million. Performance in the prepaid segment also improved with revenue decline of 1.8%. This segment is mostly impacted by the out of bundle regulations in the beginning of the year as well as the subdued consumer environment in South Africa. We now sell more than 2.4 billion bundles a year. Customers continue to utilise our highly discounted bundle offers with shorter validity periods such as daily or weekly bundles and personalised value offers through Just 4 You.

Underlying data metrics remain strong with 12.5% increase in data customers. There are now 21.1 million smart devices on the network with usage per smart device at 1.7 GB, up almost 60%. Customers using our digital platforms are growing strongly. This remains a key strategy to drive data usage. Over the December quarter we saw 2 million customers on our Video Play platform. Our enterprise segment, which now accounts for 27.3% of service revenue, grew 9.7%. This was driven mainly by national roaming revenues.

Financial services recorded close to R500 million in revenue in the quarter, growing by 11%. The VodaPay app take-up has improved exponentially from last quarter, providing a new channel to make direct airtime purchases and bill payments. We advanced R2.5 billion in airtime via the Airtime Advance platform to 8.9 million customers. On the network side we now have 94.4% of the population covered with 4G. We concluded a deal with Rain to extend our roaming and facilities leasing arrangement to almost all our sites, but agreed by us based on demand. This is on a much improved terms when compared to our previous agreements. I'm very pleased to announce that we have signed a multi-year 5G roaming and managed service agreement with Liquid Telecom which paves the way for us to launch 5G services very soon in South Africa. Any launch of 5G will be within the capex envelope, and I think that's important to stress.

Our international operations sustained strong growth. Data is performing well supported by network investment and the expansion of 4G. The monetisation of M-PESA continues as we expand the ecosystem. This culminated in service revenue growth of 9.0% or 7.1% on a constant currency basis. Our international operations contribute almost 30% of group service revenue. Data customers increased 11.2% to 20.6 million representing 54% of our customers with data services. This was enabled by the expansion of our networks and increasing the accessibility of affordable devices to our customers. As an example, we launched a $20 4G smart feature phone in Tanzania. We are now rolling this out to all our operations.

Demand for our mobile financial services through M-PESA remains strong in all our international markets. Active M-PESA customers increased by 10.7% to 14.8 million. That's just Vodacom international markets excluding Safaricom. M-PESA revenue grew 24.7% representing 18.9% of service revenue. We processed $3.4 billion in value of M-PESA transactions per month during this quarter in the international operations. A reminder that M-PESA numbers exclude Safaricom, so this illustrates the scale we have outside Kenya. We invested R845 million in capital expenditure in the quarter as we expanded our 3G and 4G rollout. We now have just under 2 500 sites across our international operations.

There has been quite a bit of coverage on regulatory items recently, so I will give you some colour on each of these. One of the most pertinent issues over the past couple of weeks has been biometric customer registration in Tanzania. After an initial extension to 20th January we had to start barring services to customers from this date as instructed by the Tanzanian regulatory authority. The biggest hindrance to registration is the lack of valid identification documents for customers. Tanzanians first need to obtain their identity documents from the government before being able to register their SIMs biometrically.

In the first phase we've blocked customers that have identity documents but have not biometrically registered with us. We barred services to 1.7 million customers between the 20th and 31st January. As at the 2nd February the unregistered base is 5 million customers, and we now await instruction from the TCRA on how to proceed with these. We have a base of 15.6 million customers, which means that close to 7 million customers will eventually be disconnected, which is significant and will have an impact on growth in Tanzania. The total market will disconnect closer to 20 million customers. We aim to reconnect the majority of these customers over the next couple of quarters as customers complete their ID and registration requirements.

Coming back to South Africa, ICASA issued its information memorandum on the licensing process for spectrum in November last year. We are very encouraged by the prospect of having access to spectrum soon, which includes 2.6GHz 4G spectrum and 3.5GHz 5G spectrum. They have also included 2.3GHz and 700MHz and 800MHz. The 3.5GHz, 2.6GHz and 2.3GHz will be immediately available on the conclusion of the process. There are still a number of factors that concern us such as the lack of definitive plans and timelines for the digital migration which needs to be completed before we can get access to the low-band 700MHz and 800MHz spectrum.

How the WOAN will ultimately work, for instance, the proposal is that operators allow three MVNOs on their network. This would essentially significantly reduce the business case for the WOAN. We also believe that the WOAN should not be allowed to get more spectrum than the biggest operator. So these are some of the comments that we've entered, because if we had to take on MVNOs the WOAN wouldn't have customers, and that would significantly reduce the prospect of success for the WOAN. Certain of the obligations to be placed on successful spectrum bidders are unrealistic. For instance a 100% coverage obligation is not practical and is unachievable anywhere in the world. So that's one of the comments that we have given back. We have considered the information memorandum and provided our comments to ICASA on the 31st January. ICASA will now consider all submissions before issuing the invitation to apply for the spectrum auction.

The Competition Commission issued its final findings and recommendations in December last year on the data service market enquiry. Although these findings are not legally binding, we are engaging with the Competition Commission. I want to emphasise that we are committed to reducing data prices even further, but in a responsible way for the benefit of both our customers and the business. We are sharing with the commissions what we have achieved in overall price reductions over the past three years, our free data offers which allow customers to access basic services such as applying for jobs, educational content and even free Facebook. We are aiming to resolve the commission's concerns to avoid a lengthy multi-year process at the Competition Tribunal.

ICASA issued their discussion document at the end of November last year on the enquiry into mobile broadband services. We have until late February to make a submission to ICASA. Importantly there are some findings that contradict the findings of the Competition Commission. For example, ICASA is not proposing any retail price intervention at this point. In areas where they have identified operators to have significant market power on infrastructure they are proposing to change the legislation to improve transparency and access to sites in terms of facilities leasing agreements. ICASA also does not intend to intervene in roaming prices at this point in order to first see how all the changes in roaming deals have affected the industry. Then I think one of the big things is that ICASA have also stressed that the retail prices are neither high nor low, and that they find that the prices are competitive. I think that's quite a big finding by ICASA.

Finally, we are encouraged by the improved growth that we have been seeing in South Africa and the sustained good performance in our international operations. This concludes my comments, and Till and I are now ready for any questions.

Operator
Thank you very much, sir. Ladies and gentlemen, at this time if you do wish to ask a question please press star and then one on your touchtone phone. You will hear a confirmation tone that you have been joined to the queue. If you wish to withdraw your question please press star and then two. Our first question is from John Kim of UBS. Please go ahead.

John Kim
Hi. Good afternoon everyone. Three questions from me please, but they're short. On ICASA the final market review comes down in April. Do you have a sense of timing on the spectrum allocation? And what is the lead time from actually being awarded spectrum to usability, i.e. how long does it take ICASA to refarm? The last question is on ComCom. What is the process from here? Because if I remember their report you had two months to respond and if my math is right you would be at the outer end of that. Thanks.

Shameel Joosub
Okay. So firstly on the ICASA market review they haven't put a definitive date that the market review will come out in April. It's still a bit open-ended in terms of when that final document will come out. Remember comments are only due end of February, so I think that process will still take a while. So that's the one. That said I think the initial findings have given a steer on which way they're thinking. And to be honest we don't really see anything overly dramatic in what ICASA has proposed. In fact we've gone a long way to open up our sites over the years, so transparency is not something that we think would be untoward.

In terms of the second question, the usability of spectrum, I think it's important to note that the 2.3GHz, 2.6GHz and 3.5GHz spectrum will all be readily usable. The 3.5GHz we feel could be bigger blocks, but essentially they are usable. These are some of the comments that we've put forward. The 700MHz and 800MHz will take a bit longer. I would say it would take a year to clear it all up, but it could be available in pockets because how it works is that in some regions they use 700MHz, in other regions they use 800MHz, so one of the bands is normally available. But that would have to be cleaned up, so I would say probably a year.

In terms of the ComCom, the ComCom issued a statement over the weekend extending their deadline date by a month. The comment that came from the Competition Commission is that they've been having fruitful discussions with all the operators and are quite encouraged by it, and therefore they've extended the deadline by a month. We have been engaging with the ComCom. We've had some constructive engagements. So price transformation has always been part of it. We've taken into account some of their concerns and are obviously still in the process of discussing our plans with them, and there are ongoing engagements in that respect, but I think tracking in the right direction.

John Kim
Okay. Thank you.

Operator

Thank you. The next question is from JP Davids of JP Morgan. Please go ahead.

JP Davids
Good afternoon. Two questions from my side please, both relating to the new roaming agreements that have been signed, or the extended roaming agreements. Firstly on Rain, Shameel, in your introductory remarks you talked about the better terms it had been done under. I assume the equal and opposite applies for Rain, i.e. the scale and the economics of the deal are better for Rain. So I'm just wondering how you manage the potential disruption risk from Rain over the medium to longer term if their own economics are also improving. Then switching gear to the 5G deal with Liquid, I'm just wondering in relation to the spectrum that is being issued with 5G if there is actually sufficient spectrum there, or are you going to have to have this Liquid deal as a backstop regardless of what happens with the spectrum auction. Maybe asked in a simpler way, is there enough hopefully contiguous 5G spectrum available in the auction process that you may not need the Liquid deal in the longer term? Thank you.

Shameel Joosub
Okay. So firstly on Rain I'd say it is improved terms for both of us, also less impact on the financials for us in terms of the way the deal is now constructed versus what we had previously. So that's the one part. But essentially what it does is it gives us the flexibility to by mutual agreement extend it to where we may need more coverage or where we may need Rain capacity, if one can call it that. Are we worried about the long-term effects of the deal? No. I think if we go back it's been three or four years of Rain and – how can I put this nicely – the hype around the impact that Rain would have on the market I think has proven to be unfounded. And so I think they've built a good business selling to customers, but remember their primary customer is someone called Vodacom.

Then the same with Liquid. Essentially Liquid has also acquired a nice customer called Vodacom. And the access to the spectrum is a multi-year deal, and basically access to roaming services is a multi-year deal. We see both deals as spectrum security. We would still take part in any auction because there's nothing better than having your own spectrum, but based on the size of our base and based on where technology is going and so on, we think having access to more spectrum is more beneficial than having access to less spectrum. And remember spectrum does have the impact of helping you to be more efficient in the way you deploy. So when you run out of capacity it's always better to deploy more spectrum. Or if you can do it through a worthwhile roaming arrangement that's always better than having to build more sites. So strategically we're quite pleased with what we've managed to achieve on both, taking away our biggest risk of any telco, spectrum security. So we've managed to achieve that.

JP Davids
Thank you, Shameel.

Operator
Thank you. The next question is from Jonathan Kennedy-Good of Standard Bank Group Securities. Please go ahead.

Jonathan Kennedy-Good
Thank you. Just a follow-up on the Liquid roaming agreement just to clarify, I presume it's a roaming agreement plus a facilities leasing arrangement, much the same as your Rain deal. If you could confirm that and when you foresee costs coming in. Will it be a similar type of treatment to what we've seen under the Rain agreement with the impact on margin coming through presumably in the next two financial years? And then second of all, on the VodaPay app that you've launched, some comments on how that is impacting the distribution of airtime, whether that is cutting distribution

costs and how that is impacting the channel for SIM distribution as well, whether that is bringing some margin back to the business. That would be helpful. Thanks.

Till Streichert

Jonathan, so you are right. The structure is actually similar to the Rain deal in terms of the agreement. So there is a facility leasing aspect in it, and there is one that covers the capacity aspect where we buy capacity. So, on your first question, yes. Similar. On your second question in terms of financial effects, we are not disclosing the details of the agreement in terms of the facility leasing and the capacity cost fees associated with it. But you will see in the next year the cost associated with that deal coming into our numbers – that's correct – and also in the following years as you basically have got access to the 5G capacity. So that is going to come into our numbers.

Shameel Joosub

In terms of your second question on VodaPay, I think it's part of a bigger play. Right now it is still early days. Is it significantly moving the needle yet? No. Will it over time? Yes. But I think for us what you're seeing on VodaPay is what we call VodaPay 1.0. The next phase is a lot more sophisticated in being able to access multiple different services. You will have noticed that we've already launched electricity and water. So all these services will land up contributing. We are looking for a lot bigger distribution or take-up on it. A lot of it is premised around the new launch which will happen during the next fiscal. I think that will help us to significantly scale up our ambitions around that. So it's still early days but yes, there is a saving that comes through.

Jonathan Kennedy-Good

Thank you.

Operator

Thank you. Just a reminder, if you wish to ask a question please press star then one. The next question is from Slava Degtyarev of Goldman Sachs. Please go ahead.

Slava Degtyarev

Thank you very much for the call. A question on the Competition Commission impact. At this stage and based on how negotiations are going would you expect any potential deceleration of the South African service revenue growth in the medium term on the back of this? And broader, do you think you are on track for the mid-single digit group service revenue growth, taking into account the regulatory developments and also certain macro challenges in the countries of your operations? Thank you.

Till Streichert

Okay, let me start with your second question in terms of medium-term guidance on service revenue. Yes, you are right. We are tracking that guidance. That has been supported by the third quarter results which we are pretty happy with. And remember the step ups that we've seen in the third quarter was what we told you and what we expected, in particular in South Africa from the elasticity which we have seen, which is good, and equally sustained performance in the international market. Now, when we called out the medium-term guidance of course a topic like biometric customer registration or the Competition Commission were topics that hadn't materialised or weren't on the horizon yet. But of course in our guidance we did have headroom which allows in a portfolio of a number of markets that we have to also see a little bit of up and down in that. So we will be updating everyone on our guidance across all three elements – service revenue, operating profit and capex – at the full year results, but at the moment we are tracking nicely on service revenue and have got equally some room to play in.

Shameel Joosub
And I think just maybe on the Competition Commission part we can't give absolute numbers right now in terms of what the impact would be. Safe to say that part of it will be around pricing, and monthly pricing specifically, and part of it would be around certain social benefits that we were planning to give in terms of our plan. So I think a similar kind of profile potentially where whatever we do will have a similar profile where it will affect the first quarter and you'll get more elasticity through the year. The rest of it is within the comments that Till give just

Till Streichert
And perhaps just adding to it. Shameel already gave colour on the engagement with the Competition Commission. And you have seen the numbers that obviously are in the report from the Competition Commission with constructive engagement happening. The one point I would like to add to it is that of course you have been seeing over the years us doing quite successfully with the pricing transformation, whereby we did lower prices years back for voice, then starting on data and driving this pricing transformation proactively. That resulted in a good step down in terms of unitary prices with the requisite elasticity coming back and supporting the service revenue growth. So some of what you have been seeing here on the Competition Commission side of course on our planning you would see also embedded in the pricing transformation strategy.

Slava Degtyarev
Okay. Thank you very much.

Operator
Thank you. The next question is from Siphamandla Shozi of Coronation Fund Managers. Please go ahead.

Siphamandla Shozi
Good afternoon guys. Just two quick questions from me. At the end of last quarter you felt that this past fiscal year has been brutal in terms of price transformation, in terms of out of bundle, in terms of all those things, and you felt that going into the new fiscal year you might still have some price transformation but it won't be anything like what we've seen. So do you still hold that view given what ComCom is doing? That would be my first question. And then my second question would be now that you are going ahead with 5G rollout plans can you just give us an idea how we should think about it, whether this would significantly lower your costs of rollout or whether you are going to start rolling out aggressively into the home. Just the immediate use cases versus what its potential could be in the longer term over the next few years.

Shameel Joosub
Okay. So firstly I think on price transformation every year we obviously build in a level of price transformation that we engage on. That I think will be slightly accelerated in terms of what we would probably agree with the ComCom. But I think what we've also managed to show – and you've seen that come through quite nicely this year – is that we've managed to achieve very good elasticity. And I think that will play out into the numbers. And any commitments we make will be done responsibly and trying to manage all stakeholders. So that's the one part. I can't give more colour on it, but I think that's where we are currently.

In terms of 5G I think any rollout firstly I think it's important to stress there is no big capex overlay in terms of more capex being spent on 5G. No. Any capex will be within the guidance and the envelopes that we've given. And as you have noticed over the years we are quite rigid in terms of managing our capex guidance. So that will stay. 5G is early days, so there is no mass rollout being planned. I think any rollouts at the moment will be more orientated towards fixed wireless replacement more around fibre-like services. And it would be probably more orientated towards office parks, housing estates or particular areas and so on.

And how we normally do these things we normally launch, learn a few things and don't rush into it. We wait for the technology to stabilise, more devices in the ecosystem to improve. Then we go more ahead from that. So I think you can assume that any deployment will also be focussed more on cities and specific areas within cities until there is more development of the ecosystems as such. And obviously what's good is that we've got a lot of experience from Vodafone in terms of what works, what doesn't work, how to deploy and that type of thing. We've already launched in 21 big cities across the group, probably more now. So I think there is good progress there.

Siphamandla Shozi
Thank you very much. Just a last question on the competitive intensity. A year ago or 18 months ago the competitive intensity was high and it was increasing as a result of Telkom. What are you seeing now, also given the fact that you are seeing all these troubles happening at Cell C? Are you seeing any benefit from share gains from that? Just a bit of colour on that.

Shameel Joosub
I think we can definitively say we've seen share gains in the contract space, and I think that has been quite strong. I think in the prepaid space I think customer numbers are good but I wouldn't get carried away on customer growth. I would say maintaining market share. And I think everybody is going through a bit of repricing given the out of bundle issues. I think what is going to be interesting in the months to come is what does Telkom do given its results, which you're all aware of. I think the strategic options of which way they go will have some influence on the market. I think with Cell C's woes it does not lend itself to any big pricing decreases and so on. So I think the market is still [unclear] competitive as opposed to any aggressive competitiveness.

Siphamandla Shozi
Okay. Thank you very much.

Operator
Thank you. The next question is from Adam Fox-Rumley of HSBC. Please go ahead.

Adam Fox-Rumley
Thank you. I have two questions please. I think you mentioned you were comfortable with greater visibility on the towers business. And I wondered if you'd had any thoughts on the potential for a separate tower company. I'm just going back to an earlier answer again.

Shameel Joosub
I think it's something we are looking into, not from the prospect of selling. Let me be clear. We have no intention of selling our towers. What we are looking at is do we create a tower co. Do we create a multi tower co that could go across our countries and take from the learnings that we're gaining from the Vodafone experience in Europe? And what does that mean for increased tenancies? What can that mean for increased maintenance efficiencies and so on? We're looking at that quite carefully and we think there is possibly an opportunity there. It is early days. We are busy still constructing a team to start looking at it.

Adam Fox-Rumley
Great. And then I wondered on Tanzania. Is there anything you could do to help with the reconnections proactively? Is it appropriate to do any form of additional marketing or something along those lines as you move through the next few months and quarters?

Till Streichert
We are very active, and we have been also over the past couple of months very active in engaging with the government on understanding of what we can do from our side. I will just give you a few examples of what we have done. During the intense weeks we had our shops open 24/7. We had call centre availability 24/7. We have more than 35,000 devices out there that allow biometric customer registration. So we've done from our side I think quite a bit. And also from a marketing point of view everyone is contacted through our CVM engine and offered all contact channels to connect. The actual challenge that we are facing here is a little more dependent upon the national identification number availability.

And the constraining factor at the moment is the rate of issuing new biometric NIDA national identification numbers. This is now picking up in terms of speed of issuing it, which is a prerequisite for us and biometrically registering. We have been quite active. Shameel has called out the numbers. Let me just quickly repeat. We disconnect 1.7 million customers so far. And remember we announced a customer base of 15.6 million and there are now 5 million customers on our customer base left where we are engaging literally every two or three days with the regulator, the TCRA, as an industry and taking their guidance on what to do and how to approach those customers going forward.

What we are encouraged by is that over the past couple of weeks there has been a staggered approach taken by the regulator. And when you've got this number of customers or SIMs, to be more precise, to deal with a staggering approach is always a good approach because it allows you more time to actually deal with the effects of it. So therefore we are looking at what's supposed to happen now over the next couple of weeks and that will inform our view on the effects of it.

Adam Fox-Rumley
Thank you very much. If I may just ask one quick final question. I'm sorry I missed the beginning of the call. Is there any update on the situation in Ethiopia and the process there?

Till Streichert
Ethiopia, let me just quickly call out the key milestones. You may have equally followed them in the public. We do expect that the invitation to tender will be issued around March, end of March 2020. And basically beginning of March the invitation to express and interest. That is still a couple of weeks out before literally anything tangible is issued by the Ethiopian government. We are in the phase of assessing and looking at the business case and the plans, and carefully assessing our approach to that. Of course it's a market that is an attractive market, as you know 110 million customers. Mobile money penetration below 1%, mobile penetration below 40%. The last frontier market certainly. But of course on the other side, as we've spoken earlier about, we also need to carefully balance the risks, the country risks, and equally need to balance overall the numbers. Ultimately we need to make the numbers work.

Shameel Joosub
So I think a summary is we will only consider it if it makes financial sense and we're not going to go in at any cost.

Operator
Thank you. The next question is from Amith Singh of Acanthin. Please go ahead.

Amith Singh

Hi. Thanks for the question. There has been some recent speculation in the press about Vodacom possibly on-boarding Cell C's post-paid customer book. I just wonder if you see any regulatory or ComCom issues if that would be the case.

Shameel Joosub
So just to be clear, we're not buying anything from Cell C. That said Cell C has been shopping around on the roaming side. They have awarded some. They are still busy negotiating on another part of their stuff. So I think there is still some opportunity there, but we will not be acquiring anybody's bases. And effectively we would probably not be allowed to acquire Cell C's base, to be frank.

Amith Singh
Okay.

Operator
Thank you. Sir, we have no further questions in the queue at the moment.

Shameel Joosub
In closing I'd like to say thank you to all of you for joining us on the call. I'm happy to share these results with everybody. We are continuing to engage with all regulatory authorities to deliver a quality services to our customers in a sustained and responsible manner. Thank you for joining us.

Operator
Thank you sir. Ladies and gentlemen, that then concludes this conference call and you may now disconnect your lines.

END OF TRANSCRIPT