S&P Global
Market Intelligence

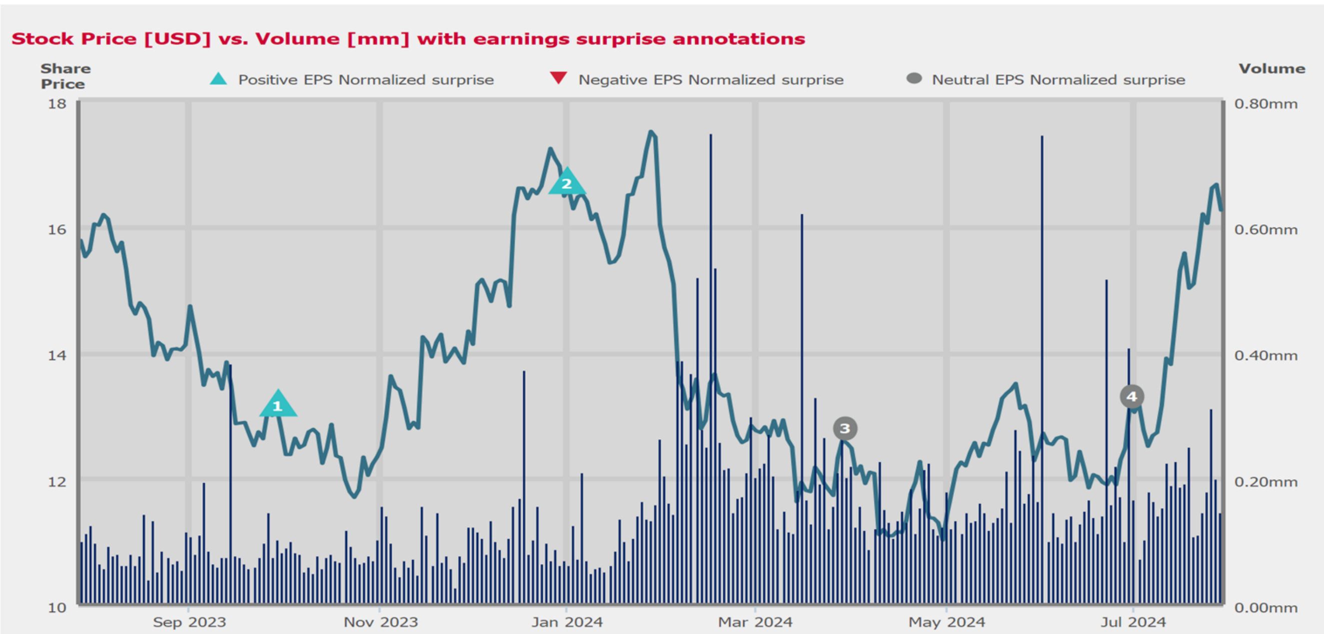
Flushing Financial Corporation NasdaqGS:FFIC FQ2 2024 Earnings Call Transcripts

Tuesday, July 30, 2024 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2024-			-FQ3 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.18	0.18	0.00	0.20	0.74	NA
Revenue (mm)	47.15	46.99	(0.34 %)	48.72	192.00	NA

Currency: USD
Consensus as of Jul-30-2024 1:06 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2023	0.24	0.31	1 29.17 %
FQ4 2023	0.23	0.25	2 8.70 %
FQ1 2024	0.14	0.14	3 0.00 %
FQ2 2024	0.18	0.18	4 0.00 %

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Call Participants

EXECUTIVES

John R. Buran
President, CEO & Director

Susan K. Cullen
Senior EVP, Treasurer & CFO

ANALYSTS

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Manuel Antonio Navas
D.A. Davidson & Co., Research Division

Mark Thomas Fitzgibbon
Piper Sandler & Co., Research Division

Stephen M. Moss
Raymond James & Associates, Inc., Research Division

Presentation

Operator

Welcome to Flushing Financial Corporation's Second Quarter 2024 Earnings Conference Call. Hosting the call today are John Buran, President and Chief Executive Officer; and Susan Cullen, Senior Executive Vice President, Chief Financial Officer, and Treasurer. Today's call is being recorded. [Operator Instructions]

A copy of the earnings press release and slide presentation that the company will be referencing today are available on its Investor Relations website at flushingbank.com.

Before we begin, the company would like to remind you that discussions during this call contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such statements are subject to risks, uncertainties and other factors that may cause actual results to differ materially from those contained in any such statements, including, as set forth in the company's filings with the U.S. Securities and Exchange Commission to which we refer you.

During this call, references will be made to non-GAAP financial measures as supplemental measures to review and assess operating performance. These non-GAAP financial measures are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. For information about these non-GAAP measures and for reconciliation to GAAP, please refer to the earnings release and/or the presentation.

I would now like to introduce John Buran, President and Chief Executive Officer, who will provide an overview of the strategy and results.

John R. Buran
President, CEO & Director

Thank you, operator. Good morning, and thank you for joining us for our second quarter 2024 earnings call. The operating environment in the second quarter was highlighted by similar themes that have impacted the industry and our markets for the past couple of quarters, changing expectations on Fed rate moves, weak, but marginally improving loan demand, and aggressive deposit pricing by one of our largest competitors that is dealing with business model and personnel changes.

Against this backdrop, the company reported second quarter 2024 EPS of $0.18. It remains a challenging rate environment, but I'll provide an update on the progress we made on our 4 areas of focus.

Our first objective is to increase the NIM and reduce its volatility. Net interest income increased about 1% quarter-over-quarter despite NIM compressing 1 basis point. We're implementing several strategies to help the NIM in future periods, and I believe it is close to a bottom. Susan will provide further details, but the NIM should begin to expand once funding costs stabilize.

The second objective is to maintain our credit discipline. Flushing Bank has a long history of low-risk credit profile due to our conservative underwriting and strong portfolio management. Overall credit metrics remain solid, with 61 basis points of nonperforming assets, 113 basis points of criticized and classified loans and 1 basis point of net recoveries during the quarter. Our loan portfolio remains well collateralized as the average LTV in the real estate portfolio is less than 36% and the debt coverage ratios are 1.8x for our multifamily and investor commercial real estate portfolios. Our exposure to Manhattan office buildings is about 50 basis points of gross loans. There are zero nonperforming office loans and zero nonperforming nonresidential commercial real estate loans.

Our third objective is to preserve our strong liquidity and capital. Our available liquidity was $3.1 billion as of June 30th, and our level of uninsured and uncollateralized deposits remains low. Our capital ratios remain solid.

The fourth objective is to bend the expense curve. The market provided an opportunity to add banking professionals and new branches, so we made the strategic decision to invest in the franchise. This drove noninterest expense growth for the first half of 2024 compared to the same period in 2023 to about 6%. We expect overall expense growth in 2024 to be in line with our historical averages of mid-single digits.

Overall, we're navigating the environment from building a foundation to achieve our long-term goals and improve overall profitability.

Slide 4 demonstrates Flushing's credit performance versus the industry. Our underwriting has outperformed over time, often by a wide margin. Our conservative credit culture has been proven in many rate and economic cycles, and our commitment to our low-risk credit profile is unwavering. Our charge-off history is shown in the chart on the left. We expect our net charge-offs to remain well below industry levels. For the first half of 2024, we had net recoveries of $88,000. Our level of noncurrent loans to total loans is also favorable compared to the industry. In a stress scenario consisting of a 200 basis point increase in rates and a 10% increase in operating expenses, our loan portfolio has a debt coverage ratio of 1.3x. Given this, we're expecting minimal loss content within the portfolio.

Slide 5 depicts additional credit metrics that support our conservative risk culture. Nonperforming assets to assets totaled 61 basis points with LTVs of low 44%. Our level of criticized and classified assets remains solid, and we expect them to continue to be below peer levels again for the quarter. 30-89 day past dues are only 35 basis points of loans, indicating a low level of potential future problems. Our allowance for credit losses is presented by loan segment in the bottom right chart and the ratio to overall loans increased 1 basis point to 61 basis points quarter-over-quarter. These items altogether keep us very confident of our low-risk credit profile.

Slide 6 outlines some key credit metrics at a more granular level. Our multifamily portfolio comprises 39% of gross loans and has strong credit metrics like a weighted average LTV of 44% and a weighted average debt coverage ratio of 1.8x. Nonperforming loans in this portfolio are only 52 basis points, and criticized and classified loans were only 67 basis points of loans. The average loan size is $1.2 million in this $2.6 billion portfolio.

Investor commercial real estate loans totaled 28% of gross loans and on similar credit metrics as our multifamily loans with no nonperforming loans, only 36 basis points of criticizing classified loans, and an average loan size of $2.5 million. Our exposure to office loans is small and less than 4%. And Manhattan office building exposure is about 50 basis points to gross loans. There are zero nonperforming loans in the office portfolio and the debt coverage ratio is 1.9x. These metrics provide a clear representation of our conservative and strong credit culture that has and continues to perform well over time.

Slide 7 provides further context on the risk in our multifamily portfolio and a comparison versus peers. As of March 31, 2024, our criticized and classified multifamily loans were only 54 basis points, the third best in the peer group. At the end of the second quarter, this ratio was 67 basis points. Multifamily reserves to criticized and classified multifamily loans were 75%, which is the fourth best in the peer group in the first quarter and 61% in the second quarter. 30-89 day past dues in our multifamily portfolio were only 21 basis points. With these credit metrics, we see limited risk and loss content on the horizon.

I'll now turn it over to Susan to provide more detail on our other financial metrics. Susan?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Thank you, John.

I'll begin on Slide 8, which provides more detail on our deposits. Average deposits increased 4% year-over-year and 2% quarter-over-quarter. The growth in deposits came from both retail and brokered CDs as we utilized them to fund approximately $300 million in the growth of floating rate securities for the quarter and to reflect anticipated normal flows of the government deposit portfolio. We expect those latter deposits to return the fall. Average noninterest-bearing deposits were 11% of total average deposits compared to 12% a year ago. Our loan-to-deposit ratio has improved to 98% from 102% a year ago. The cost of deposits increased 11 basis points in the quarter compared to 17 basis points in the first quarter and 16 basis points in the fourth quarter of 2023.

Slide 9 outlines the net interest income and margin trends. The GAAP and core net interest margin compressed to 1 and 3 basis points, respectively, to 2.05% and 2.03%. Absent episodic items, the NIM increased 1 basis point quarter-over-quarter. Our net interest margin is partially reflective of the spread between a 1-month SOFR relative to the 5-year Federal Home Loan Bank advance rate, which at the end of June was a negative 82 basis points. Once the spread begins to turn positive, our NIM should improve over time. We expect our NIM is near bottom absent any changes in interest rates.

The bottom will largely be determined by stabilization of the cost of funds, which will then allow the natural repricing of our loan portfolio to drive NIM expansion. With the parallel shift in today's inverted yield curve by 100 basis points, our model indicates a roughly 1% benefit to net interest income. On the other hand, a steepening of the yield curve by 100 basis points with the short end declining and the long end remaining stable should benefit net interest income by greater than $15 million over time.

Slide 10 provides more detail on our CD portfolio. Total CDs are over $2 billion or 35% of total deposits at quarter's end. It is the growth in repricing CDs, which will drive the direction and magnitude of the cost of deposits. About $1.4 billion of retail CDs are expected to mature over the next 3 quarters at a weighted average rate of 4.86%, which compares to current APYs of 4.85% to 5.40%. We expect the cost of deposits will increase at a slower pace in the third quarter compared to the second quarter.

Slide 11 provides more detail on the contractual repricing of the loan portfolio. Approximately $1.2 billion or 18% of gross loans are repriced through short-term index. Our interest rate hedge position increases as percentage to 26%. For the remainder of 2024, $383 million of loans are due to reprice, 242 basis points higher than the current coupon rate. In 2025, approximately $765 million of loans are scheduled to reprice 226 basis points higher. These rates are based on underlying index value at June 30, 2024. It is a slow pricing that should drive net interest margin expansion once funding costs stabilize or decline.

Turning to Slide 12, which outlines our interest rate hedging portfolio. This portfolio closed $1.7 billion and underlying financial instruments are investment securities, loans, and funding. These hedges have a positive impact in asset and funding yields and are additive to the net interest margin. There are no maturities in 2024 with 22% of the portfolio maturing in 2025. As mentioned previously, if the curve steepens with the Fed reducing short-term rates, our net interest margin should benefit over time.

Our capital position is shown on Slide 13. Book value and tangible book value per share was stable year-over-year and quarter-over-quarter. The leverage ratio was over 8%, while the tangible common equity ratio remains about 7%. Overall, we view our capital base as a source of strength and a vital component of our conservative balance sheet.

Slide 14 provides detail on our Asian markets, which account for 1/3 of our branches. We have over $1.3 billion of deposits and $746 million of loans in these markets. These deposits are 18% of total deposits. And while we have only 3% market share of the $41 billion market, implying the substantial room for growth. Our approach to this market is supported by our multilingual staff, our Asian Advisory Board, and support of cultural activities through participation and corporate sponsorships. We look forward to participating in the Dragon Boat Festival this coming weekend, which is attended by thousands of people in Flushing Meadows Park. This market with its dense population and a high number of small businesses, continues to be an important opportunity for us and one that we believe will drive our success moving forward.

On Slide 15, you can see community involvement is a key part of our strategy beyond just our Asian franchise. During the second quarter, we participated in numerous local events to strengthen our ties to our customer base. Participating in these types of initiatives has served us as a great way to further integrate ourselves within our local communities while driving customer loyalty.

Slide 16 provides a high-level perspective on performance in the current environment. We continue to expect stable loan balances and a continued emphasis on improving the funding mix. The net interest margin is expected to be close to bottom, but influenced by the mix of the assets and liabilities, the shape of the yield curve, and pricing of financial instruments. The increase in loan pipeline should help increase asset yields while the cost of funding rises at a slower pace than previous quarters. When the costs of funds stabilize, our net interest margin should bottom out and then start to increase. Noninterest income should be aided by the closing of the back-to-back swap loans that are in the pipeline.

As John mentioned previously, we have made the strategic decision to invest in the business by adding people in branches. Core noninterest expense is expected to increase mid-single digits in 2024. While the quarterly tax rates can fluctuate, we expect the mid-20s effective rate for 2024.

I'll now turn it back over to you, John.

John R. Buran
President, CEO & Director

Thank you, Susan.

On Slide 17, I will conclude with our key takeaways. Our near-term priorities remain on our 4 areas of focus to help build a strong foundation for improved long-term profitability. The net interest margin is nearing the bottom and should begin to expand. There is no change in our credit discipline for our low-risk credit profile. Capital and liquidity are strong. We are mindful of expenses, but we'll continue to invest in the franchise to improve the long-term profitability and value. While the rate environment remains challenging, we're controlling what we can control and setting the foundation for a better future.
Operator, I'll turn it over to you to open the lines for questions.

Question and Answer

Operator

[Operator Instructions] Today's first question comes from Steve Moss at Raymond James.

Stephen M. Moss
Raymond James & Associates, Inc., Research Division

Maybe I just start off with the loan pipeline here. John, pretty big increase quarter-over-quarter. I'm wondering if you just give some color about the drivers you're seeing there.

John R. Buran
President, CEO & Director

Sure. So, basically, what's occurring is that the market appears to be opening up somewhat. We're maintaining our disciplined focus with respect to credit perspective and also with respect to rates. But it just appears that we've just seen some opening up of the market. I think borrowers maybe are waiting a little -- are getting a little bit tired of waiting on the sidelines. And also, we've seen some activity in doing back-to-back swaps. The rate environments got a little bit better for that. And I think that has generated some additional interest as well.

Stephen M. Moss
Raymond James & Associates, Inc., Research Division

I'm just curious, is it more C&I versus CRE? Just kind of curious about that mix there.

John R. Buran
President, CEO & Director

More C&I than what we've historically been doing.

Stephen M. Moss
Raymond James & Associates, Inc., Research Division

And then in terms of the multifamily nonperformers this quarter, just curious what color you can give around what caused those issues and how you're thinking about a resolution there?

John R. Buran
President, CEO & Director

So we're pretty confident that there's very low loss content here. One of the items, it's $9 million, 4 loans. One of the items is one loan that's gone past maturity, and we're working on the extension now. And then the largest of the loans has a 21% loan to value. So we're very confident there as well.

Susan K. Cullen
Senior EVP, Treasurer & CFO

And that customer went dark for a while. So we will be getting our -- we will be collecting our default interest on that given loan to value on that front rate.

John R. Buran
President, CEO & Director

Default interest by the way is [24%].

Stephen M. Moss
Raymond James & Associates, Inc., Research Division

And then in terms of just the multifamily loans that are coming up for renewal and resetting at a higher rate here. Just kind of curious what's kind of the blended debt service coverage ratio? I know you guys have 1.3 example in the deck. Is that kind of basically reflective of the entire pool that's repricing in the quarter?

John R. Buran
President, CEO & Director

Yes, that's the entire portfolio that's repricing. It's 1.3.

Stephen M. Moss
Raymond James & Associates, Inc., Research Division

And just one last one for me. I noticed that investment securities were up meaningfully this quarter. Just kind of curious what types of securities you bought and the coupon there?

Susan K. Cullen
Senior EVP, Treasurer & CFO

We purchased adjustable rate on large banks and CLOs that have an average rate of little over 6.5% right now, closer to 6.75%.

Operator

And our next question today comes from Mark Fitzgibbon with Piper Sandler.

Mark Thomas Fitzgibbon
Piper Sandler & Co., Research Division

I guess, I was curious, how much in multifamily and CRE loans do you have maturing in the second half of '24? And maybe if you could give us a sense for what the average rate on those looks like?

Susan K. Cullen
Senior EVP, Treasurer & CFO

So it's about $350 million, and they've repriced upwards of 200 basis points, it's about $383 million.

Mark Thomas Fitzgibbon
Piper Sandler & Co., Research Division

So you think they'll reprice the commercial real estate multifamily up about 200 basis points on average?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Yes. Looking at Slide 11 on our deck, Mark, if you want complete color. It's about 242 basis points using the June 30th, 5-year Federal Home Loan Bank rate.

Mark Thomas Fitzgibbon
Piper Sandler & Co., Research Division

And Susan, can you give us a sense for what you think each 25 basis point rate cut would do to your net interest margin? What kind of impact roughly that would have?

Susan K. Cullen
Senior EVP, Treasurer & CFO

I think we've said in the past that if we repriced everything immediately, it'd be about $1 million.

Mark Thomas Fitzgibbon
Piper Sandler & Co., Research Division

For each 25 basis points?

Susan K. Cullen
Senior EVP, Treasurer & CFO

For each 25 basis points.

Mark Thomas Fitzgibbon
Piper Sandler & Co., Research Division

That would be over time, though, right? That's not an immediate million dollar impact that would be when the whole book repriced.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Right. It'd over time, but assuming that we were able to -- there's no lag on cutting the cost on the liabilities.

Mark Thomas Fitzgibbon
Piper Sandler & Co., Research Division

And then on -- I guess, I was curious why grow the securities portfolio almost $400 million if your pipelines are so strong? Why not sort of wait and book loans at better spreads?

John R. Buran
President, CEO & Director

Well, we decided to, when we started that process of purchasing securities, the loan pipeline was just beginning to grow. So we're looking at the security system, floating rate securities as being a potential source of liquidity going forward as the loan pipeline begins to close. There's a fair amount of uncertainty about closing of loans, even though the pipeline is up by roughly 88%. So there's been a little bit of a longer tail than what we've seen in the past.

Susan K. Cullen
Senior EVP, Treasurer & CFO

We don't anticipate any [penalty] growth, Mark. So as John said, if the pipeline starts to close, we may shed some of those securities.

Mark Thomas Fitzgibbon
Piper Sandler & Co., Research Division

And then last question. Sort of year-to-date, the dividend payout ratio has been about 148%. At what point do you think about reducing the dividend?

John R. Buran
President, CEO & Director

We're a well-capitalized loan risk business. We see ourselves closer to the end rather than the beginning of our earnings pressure given the natural repricing of loans and also the, let's say, heightened potential for Fed easing. So our focus is going to be on working on the earnings and maintaining our strong commitment to return value to the shareholders.

Mark Thomas Fitzgibbon
Piper Sandler & Co., Research Division

Correct me if I'm wrong, though, there's a regulatory requirement after a certain number of quarters and not earning the dividend where you're basically precluded from keeping it at that level. Is that -- could you remind us what that is?

John R. Buran
President, CEO & Director

That's not correct. We're not precluded. There's open dialogue and 2-way communication going on with the regulators on a regular basis. And the criteria, I'm sure, are associated with our capitalization, the fact that we have enough cash at the holding company to allow us to pay a dividend without constricting bank capital at all. And once again, we see the situation has improved from where it was a number of quarters ago as earnings NIM is closer to the bottom.

Operator

And our next question today comes from Manuel Navas with D.A. Davidson.

Manuel Antonio Navas
D.A. Davidson & Co., Research Division

I'm sorry, did you talk about the near-term NIM outlook a little bit? I know there's a little better seasonality of deposits coming in. That pipeline is going to help on the loan growth side or at least replacing some loans with higher yields. Can you just talk through the near-term NIM movements?

John R. Buran
President, CEO & Director

Sure. I think the -- in the near term, we may see a little bit more pressure before the actual turnaround. But we're very close to a bottom. Clearly, this particular quarter, some of the increases in the funding costs were associated with some aggressive competition that was taking place from one of our major competitors. That may be in the background. And if that's the case, we'll continue to see better opportunities to reduce our -- maintain or reduce our funding costs. And that's really the major -- has been the major driver of the NIM compression for us. So again, we're close to a bottom, and we're seeing the next few quarters as being able to actualize that and move forward with some NIM improvement. Incidentally, the NIM improvement with a reduction on the short end of the curve could yield us over time with 100 basis points drop on the short end of the curve over time can yield us as much as $15 million in net interest income.

Manuel Antonio Navas
D.A. Davidson & Co., Research Division

Is that more weighted to the third and fourth cut? How should I think about the initial cuts with that benefit? Can you just talk through that a little bit?

John R. Buran
President, CEO & Director

It's dependent on the movement of the curve. So as the curve, let's say, flattens out, if the Fed decides to reduce the short end or as it steepens, it's really the picture that curve is going to give us the greatest opportunity.

Manuel Antonio Navas
D.A. Davidson & Co., Research Division

You talked about a little bit better maybe just activity in market on the loan growth side. Do you get a sense that a rate cut would even boost that further? Does it depend on a rate cut? Just kind of thoughts on just kind of the origination side for loans?

John R. Buran
President, CEO & Director

Clearly, there are borrowers on the sidelines due to the rate environment, which obviously, any changes could be helpful, although if the longer end of the curve doesn't move, we may be in a similar situation as we are today. But there would be opportunities with respect to maybe shorter duration credits. For example, the C&I portfolio or a 3-year rather than 5-year resets.

Operator

And our next question today comes from Chris O'Connell with KBW.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

So I was hoping you could start off with just on the securities investments from the quarter. Were those locked in against a certain rate on the borrowing side? And if so, can you disclose what rate?

Susan K. Cullen
Senior EVP, Treasurer & CFO

No, they were not locked in into anything particularly.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

Just regular short-term borrowings?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Our deposit growth and the short-term borrowings. And as we said, the floating rate securities.

Christopher Thomas O'Connell

Keefe, Bruyette, & Woods, Inc., Research Division

And what portion after the last couple of quarters of investments is the total floating rate or adjustable rate portion of the securities portfolio?

Susan K. Cullen
Senior EVP, Treasurer & CFO

About 2/3.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

And thinking about longer-term strategy a little bit more broadly. One, can you guys say when your last regulatory exam was and whether the discussions with the regulators in the recent exam from the past couple has changed at all on the CRE concentration ratios? And just any color around that discussion with regulators relative to what it's been in the past given kind of the heightened industry concern more recently?

Susan K. Cullen
Senior EVP, Treasurer & CFO

First, we continue to have conversations with our regulators. We don't necessarily disclose, we've had our exams and something came out of that with, as we said, with [indiscernible]. But our conversations around our CRE concentration have not changed much over the years, even given this heightened environment.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

And is there a level of -- a target level, either medium term or longer term that you guys want to get to on the kind of terminal mix for the loan portfolio.

Susan K. Cullen
Senior EVP, Treasurer & CFO

The real estate will -- yes, we do want to bring in more C&I loans and bring the CRE concentration down. But as we talked about, we moved to $90 million out of the bank to the holding company late last year. So by natural accretion of capital, that ratio will come down. That being said, we do want to focus on the C&I business as we move forward, recognizing that real estate is still a really great asset. It's done very well for us. We have great credit metrics, but the market's changed a little bit, and we're going to adapt to that.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

And do you guys have the, what the June spot margin was?

Susan K. Cullen
Senior EVP, Treasurer & CFO

It's similar to where we worked in the quarter.

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

And thinking about the margin as we get further along into 2025 and if there's rate cuts occurring and even if you don't have kind of the exact amount, but how much do you think that 25 basis points, I think got us about $1 million of annual NII, changes as some of the swaps and hedges that are on if they were to roll off later in the year in 2025?

Susan K. Cullen
Senior EVP, Treasurer & CFO

I think it would benefit us because those are -- we have the funding types. So if we didn't need the funding, we could let that down. The rate cuts will benefit. It will let those swaps roll off.

Christopher Thomas O'Connell

Keefe, Bruyette, & Woods, Inc., Research Division

But I mean it would improve that impact, correct?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Any more questions, Chris?

Christopher Thomas O'Connell
Keefe, Bruyette, & Woods, Inc., Research Division

No. I was just saying, as the hedges roll off, the impact from a 25 basis point cut would improve?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Correct, yes.

John R. Buran
President, CEO & Director

Yes. That's correct.

Operator

Thank you. Ladies and gentlemen, this concludes our question-and-answer session. I'd like to turn it back over to Mr. Buran for any closing remarks.

John R. Buran
President, CEO & Director

Well, I thank you all for your attendance and your interest in Flushing Financial and enjoy the rest of your summer. Thank you.

Operator
Thank you, sir. This concludes today's teleconference. You all may disconnect your lines, and we thank you for your participation. Have a wonderful rest of your day.