

Trane Technologies PLC at Goldman Sachs Industrials & Materials Conference (Virtual)

-- Edited Transcript of Trane Technologies PLC presentation Friday, May 15, 2020 at 11:20:00am ET

CORPORATE PARTICIPANTS

Michael W. Lamach, Trane Technologies plc - Chairman & CEO

Chris Kuehn, Trane Technologies plc – SVP &CFO

CONFERENCE CALL PARTICIPANTS

Joseph Alfred Ritchie, Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst

PRESENTATION

Joseph Alfred Ritchie, Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst

Good morning, everyone. This is Joe Ritchie, Head of the Goldman Sachs U.S. Multi-Industry team. I'm excited to have our next fireside chat with Trane Technologies. We have both Mike Lamach, Chairman and CEO; as well as Chris Kuehn, Chief Financial Officer.

Before we get started, just a reminder to everybody, if you have any questions, feel free to shoot me an e-mail at joseph.ritchie@gs.com or you can shoot me questions via the web link. And I think just want to thank both Mike and Chris for being here. And Mike, I think you're going to also kick it off with some comments.

Michael W. Lamach, Trane Technologies plc - Chairman & CEO

Yes. Thank, Joe. It's great to be part of your conference again this year. And your team has done a great job with the event, the meeting this morning went really well. And as always, we're delighted to be part of Goldman's conference.

It's hard to believe that Trane Technologies is just 75 days old. It seems like a lifetime ago that we launched the company. And it certainly have been, the pandemic has created challenges that none of us would have expected even in our lifetimes. But at Trane Technologies, we're working with thousands of customers every day and suppliers, and we touch the lives of exponentially more people. So how we're leading through this crisis and the things we're prioritizing matter deeply to us. We strongly believe the right course of action is that we need to remain true to our strategy. And at a foundational level, this includes maintaining world-class employee safety, acting with uncompromising ethics and integrity, supporting the communities in which we live and work and remaining steadfast in our commitment to building a more sustainable world. And we think these are fundamental building blocks that drive sustainable, differentiated financial performance for our shareholders now and in the long term.

We believe we went into the downturn as the premier climate control company out there, and our relentless focus on strategy is going to enable us to emerge on the other side of this downturn

even stronger. We are in a fortunate strong financial balance sheet and liquidity position. We're going to continue to generate powerful free cash flow. And we're going to utilize our position of strength to play aggressive offense throughout the downturn. The management team is unchanged. We've got a strong, experienced management team, a proven operating system. And we've got confidence we can execute our downturn scenario playbook to limit decrements in line with our gross margins while we fully invest in the technology, in the channel and in our people.

When we joined you last year, Joe, it's hard to believe that we had recently announced the RMT transaction with Gardner Denver. And since that time, both organizations really worked incredibly well together to finalize the transaction in 10 months' time, a tribute to the dedication and tenacity of both groups. We're benefiting from that timing from both the \$1.9 billion of cash received that improved liquidity, gave us a head start in removing structural costs. And we also as background, following the announcement of the RMT and then well ahead of the pandemic back in October, we created an office of transformation that reports directly to me. And that organization has been blueprinting the organizational design and developing the transformational margin improvement opportunities for the company of the future.

So the downturn has given us an opportunity to accelerate some of that. We're doing that now. We've identified \$90 million that we'll eliminate in 2020 on a permanent structural cost basis. We'll enter 2021 with \$110 million run rate. And that, of course, more than doubles our initial target of \$40 million takeout in 2020.

So I would say our strategy for the long term remains unchanged, underpinned by the same strong, secular sustainability megatrends that we've always talked about. Our end markets and our strategy, our products and services are all tied to the reality that the world is still getting warmer. Cities are becoming more densely populated. And the demand for fresh food is accelerating. So where these megatrends cross the need for sustainability, our innovation capabilities are second to none and will continue to drive high demand for products and services. And even though the short-term demand is going to be impacted or pushed out, longer term the challenges that these megatrends present require leadership and action, certainly, past COVID-19.

So I would say through all of this very excited about the future of Trane Technologies, our ability to bring all of our considerable resources to bear, deliver strong sustainable returns for shareholders over the long term and to emerge on the other side of this crisis an even stronger company.

So Joe, with that, I'll turn it over to you for questions.

QUESTIONS AND ANSWERS

Question – Joseph Alfred Ritchie: Yes. Thanks, Mike. Appreciate that. So actually had one of your HVAC peers on earlier today. And they describe like basically what they expect to be, call it, an L-shaped recovery from a market standpoint, but they were planning their business to be more V-shaped. And I think some of the things that you said there sound similar to how you're thinking about your own business.

Look, what a difference a year makes, what a difference the last 2 months makes. As you think about what's been going on with the pandemic specifically, how does that potentially provide opportunities for your business and how you're thinking about investments that you could be making to take advantage of what a new normal could look like on the back of this?

Answer – Michael W. Lamach: Yes. I'd say the initial view that we're taking is, there was a certain set of innovation ideas that we already had on the books in production around indoor air quality in commercial systems and residential systems, but I'm thinking more about commercial systems that would do indoor air quality monitoring or the remote diagnostics that we would do with connected buildings. We've got over 20,000 connected buildings now in our service portfolio. All of these things, I think, are going to present opportunities as building owners and managers want to be sure that buildings are healthy, the air changes and equipment are working as designed and planned and per code. They're going to want to know that for their occupant's safety and they're going to want to know that for, I think, for surety in terms of any liability that they may have.

So what we're seeing on the demand for the intelligent services, something like a 5x interest rate pre-COVID around customers that we've talked to in the past that maybe weren't interested at that time but seem interested now and new customers coming to us to inquire about that. And what we're able to do with that has been incredibly interesting to be able to run sort of the AI tools, the bots across the portfolio and look for situations where we would imagine the building is not healthy or is in a state perhaps where it's not operating up to design. And then there's a demand creation opportunity to get that fixed either remotely or in person as buildings open.

So I mean, that part of the opportunity, I think, is a tailwind for us coming out of this, for sure. I think we'll see more controls and more controls connected to systems and more remote monitoring of those systems and more agreements that we were in the past of guaranteeing energy or uptime or limiting downtime. You may see agreements now where our customers are looking for surety around indoor air quality.

Question – Joseph Alfred Ritchie: Yes. That makes a ton of sense. And we'll dig into each of the businesses for sure during the course of this call. But one thing that I did want to kind of touch on is just the decremental margins that you guys experienced this quarter, in the first quarter. It was something that I heard a bunch from investors. But I thought like, look, your response around protecting your employees while shutting down your factories was great and made a lot of sense, so kudos to you and the management team. But I guess what I would ask is like, maybe you can elaborate a little bit on some of the measures you took and why the decrementals in Americas looks different than EMEA and in Asia Pac?

Answer – Michael W. Lamach: Yes. Look, it's important for us to manage the decrementals certainly no more than gross margins. And even in quarter 1 as we went through these extraordinary efforts around the globe to protect our people, we still had decrementals of roughly gross margins. The Americas, you have to remember, too, was operating off a pretty small denominator of \$40 million in revenue. And a lot of what we did there, where we've got the largest fixed cost structure, hit hardest because if you think about it, we took our whole factory footprint down the last week of March. So the busiest week of the busiest month of a quarter, that's pretty important to us. And that just speaks to the focus on employee safety. When we did that, one

thing we wanted to be sure of is that our employees' pay was all held whole. So we paid everybody during that shutdown. We paid a premium wage to a volunteer group that did 2 things. One, they prioritized only essential orders, going to customers that were directly involved in the battle against COVID, so think health care, pharma, labs would be examples of that.

And we also went in and over that 2 week period, we took every single office and manufacturing plant, and I'll stick to plants now for a second, and modified every single operator workstation in the company, the distance to at least 6 feet. We took jobs that involved 2 people and made them 1 person jobs by investing in the lifting or the mechanisms to be able to provide support to employees that needed to do that, changed the way that a product is conveyed, the way material is moved in the factories, brought in thermal imaging cameras into our facilities to be able to provide very accurate temperatures and support to our employees, changed medical plans so that we could have COVID as a nondeductible expense around any kind of testing, changed the absentee policies to be more flexible, paid 100% of employees' child care costs over that period of time and actually through May 15 just to really make sure we're taking care of our people, taking care of our facilities. And then when we opened up, we opened up in a whole new set of protocols around that. And we haven't had any hiccups since then, nor have we had hiccups in the supply chain. We've been managing that, I think, in a very effective way.

But Joe, I don't know of a single company out there today that has a better safety record than we do. And I'm not talking about just an industrial peer or industrial company, but any company out there. And this is really core to who we are. It's important to the culture of the company, and it was absolutely critical that we walk the talk. I mean, if you think about everything we've built in terms of the engagement and the culture in the company, a surefire way to have that backfire would be to not treat people with respect and then not do what we did in terms of ensuring employee safety throughout the company. So I'm proud of what we did, and I'm confident that in quarter 2, quarter 3, quarter 4, we've got a playbook and a strategy to keep deleverage at around gross margins. And importantly, we could do better than that if we wanted to, but I'd tell you, there's an opportunity here to play aggressive offense, and we want to make sure we're investing in every single innovation and every single productivity idea that we have that made sense before COVID. We want to come out of this stronger than how we went in. And we think we went in with an advantage, we want to come out with a stronger advantage.

Question – Joseph Alfred Ritchie: Look, that was great and you should be proud. And I did want to kind of follow-up on your point around your playbook over the next several quarters, so maybe just kind of starting with 2Q. And as you think about -- there are, I'm sure, some potential structural actions you could be taking, depending on what the timing of this downturn turns out to be. But you also mention wanting to be a little bit more aggressive in this environment as well. So like, I guess, maybe just talk a little bit about the playbook and what you are going to be doing to kind of manage, let's say, decrements to your gross margins, which are roughly around 30%?

Answer – Michael W. Lamach: Yes. So the actions that we've taken, and I'll start actually in October when we started the blueprinting of the company and started with zero-based budgeting. By the time we hit January and these organizational models were coming into view, it had essentially caused the organization to not do any additional hiring because we were in flux with the organizational model. So we had an advantage of not bringing in people into the company unless they were very specialized in terms of what we're looking for in the first quarter. So as we

hit the second quarter, there's not sort of that carryover effect of having done additional hiring pre-COVID.

Second, in the quarter, we made sure that every hourly employee that we had, had the pay increases that were planned and scheduled. So we didn't effect any changes or freezes to hourly wages for our people. But for salaried employees in the U.S. and Canada, there's a 2 week furlough that's applied to about 99% of employees in the company. For countries that where a furlough can't be applied, it's not legal to do, those businesses and countries have taken on a similar action, not a furlough. It could be a reduction in pay. It could be using paid vacation that would be paid out at the end of the year. And then we would not have a payout at the end of this year because they're using that paid vacation now. So every salaried employee across the company took some action here.

We delayed merit increases all the way out to January. So that's going to help us in Q2. We would have typically done an April 1 salary increase. So we'll see that benefit in Q2 and then we'll see that in Q3, in Q4 as well. And then all the productivity actions that we can take obviously in our sort of operational baseline we've taken. And then the acceleration that we've had on the permanent structural costs related to the transformation. We've in essence implemented that or now are complete with that. And so we're seeing the benefit of that and saw some benefit in quarter 1. We'll see the rest of that benefit, that \$90 million, through the balance of the year. So again, this is sort of the quarter 2 view. And then we'll see how quarter 3, how quarter 4 look and what actions we take.

One thing I will tell you, Joe, and I won't take a lot of time here on this, but there are certain employees that can't be furloughed. You can think about the executive management team, the Board of Directors and there's other key roles that you just don't have a backup, that can't be furloughed. Back in 2017, we set up something called the Helping Hands Fund in the company. And this was around the hurricanes that devastated Puerto Rico. We wanted to create a fund where 100% of employee donations went to other employees inside the company. And I started in 2017 by matching all employee gifts that will come into that fund and in essence have continued to do that. So I will say that I'm just a small part of that because the rest of the executive management team and our Board of Directors in lieu of a pay reduction have done, I would say, more than a pay reduction in terms of contributing to the fund. And in my case, I've given about 1/3 of my salary every single year since 2017 into that fund. And we're able to help well in excess of 1,000 families hardest hit by this with expenses not covered elsewhere in the company or through unemployment, et cetera.

So I'm proud of that action. It's a little bit different than what some companies have done. But if you were on our side of the table and watched the families we've impacted and the gratitude from these families, it's one of these, again, silver linings in this that we're able to help our own people.

Question – Joseph Alfred Ritchie: No. That's great, Mike. And I'm sure it has to feel good, right, all those actions that you have done the last few years. I want to maybe switch the conversation a little bit and talk a little bit more around your end markets, specifically in the Americas segment. So I just got this question from the audience. This person wants to know what you think non-res construction is going to look like over the next 18 months just given some of the stay-at-home trends that maybe could accelerate. And what end markets that you guys play

in today could be the most promising and could see like a quicker recovery over the next 18 months?

Answer – Michael W. Lamach: Yes. So Joe, that's a great question because, of course, we don't know, that's why we're doing all these scenario plans, which I'm sure we'll talk about here in a little bit, but we just don't know what that recovery looks like. What I can tell you is, once you get through the initial closure of buildings, the service business, we anticipate to be very busy. And as always, we're looking to hire every service technician that we can in a commercial business for us. We're expecting between deferred maintenance and any kind of wellness assessments and checks that we're going to continue to need to do that. We're expecting more customers to sign on to the intelligent service offerings that we have, the remote diagnostics that we do. So I would anticipate that as buildings begin to open, our service business will be very busy as it is in every typical recession. Of course, this pandemic causing a recession, the pandemic portion is not an antidote to a service business, but a service business is an antidote in some ways to a more normalized recession, so I expect that to be busy for us.

And of course, in our commercial business around the world, it's roughly 50%. It's 50% in North America, South America, Europe and maybe 1/4 to 1/3 of the business now in Asia. So roughly, it's about half of our business. The other half of the commercial business which is equipment and systems and controls, I'd anticipate the applied business, the institutional business will continue to be strong. We saw strong bookings in the quarter and through April, and we're going to continue to deliver on those. And then as you get into the sort of more commercial businesses that lend themselves more toward unitary equipment, you're going to find everything from K-12 schools, which, of course, are going to continue to operate, opening up next year, to data centers which oddly enough shows up in the commercial segment and crosses between unitary and applied. That's actually a larger business for us today than our whole retail business.

If you think about light commercial retail, our data center business is larger today than that. 10 years ago, data centers really didn't even exist for us and the retail business would have been a large business. So we've selected over a long period of time really at that time thinking that there would be a lot more Internet traffic and Internet retail than there would be around big box retail, de-emphasize that, emphasize data centers and some of the changing regulations around data centers that supported our equipment and that was a good trade-off for us. That data center business continues to boom as you might expect in this downturn. So really the only thing that I think is going to show immediate weakness, of course, is going to be retail, restaurants, some of the big box retailers, in particular, but that's not a large portion of our business right now.

Question – Joseph Alfred Ritchie: That's helpful. yes,

Answer – Michael W. Lamach: Yes, Joe, how it plays out in 18 months. I mean, really, it's anybody's guess. This is where, again, we want to be prepared for all scenarios. And then we want to also be innovative in the offerings that are going to matter post-pandemic. And I think there are going to be more opportunities around building productivity and building wellness in addition to building efficiency. And oftentimes, building wellness, you can think about introducing more outdoor air or ensuring the number of air changes coming into buildings often puts pressure on the operating budget of the building because you're conditioning typically more air than you would need. So we will be busy on the other side of that as well looking at energy conservation

measures to offset that. And I think that, that will play well for us on how we go to market around comprehensive energy efficiency and buildings coupled with wellness.

Question – Joseph Alfred Ritchie: Yes, Mike. That's super helpful. I actually hadn't fully appreciated that your data center business was bigger than retail today. So I guess maybe the follow-up there is, I know you said it's not as meaningful today as it used to be. How big is retail today? So maybe just start there and then I'll have another follow-up question as well.

Answer – Michael W. Lamach: Yes. So commercial, the way that a commercial equipment market segment, Dodge or those folks at McGraw would look at like 7 different segments of the market and for us, that retail portion would be the smallest portion that we have. And so here you're talking about something as a proportion, it might be something far less than 20% of our total mix. And then again, not all retail, not all sort of stuff is going to be slow. We're still going to see small medical centers, medical office buildings. We're still going to see activity there.

Question – Joseph Alfred Ritchie: And then I guess as the flip side to that, right, is that people have been working from home. Maybe there's a little bit more of a new normal to that. There's been a lot of concern just around like the resi replacement market being long in the tooth, just maybe any thoughts. I know that this is an end market that before COVID-19 you felt would be up low single digits this year. Just any thoughts around how you see that business shaking out?

Answer – Michael W. Lamach: So listen, there might be some bifurcation here that's unique to us. And it will be interesting to hear kind of what others say about this. But we're seeing on one end a 500% increase in the amount of indoor air quality systems we sell for home, something called CleanEffects electrostatic purifier that goes into high-end systems. We think this is people who are certainly working from home, think they may be working more from home in the future, investing in systems and adding some of the purification systems along with that. So there's in essence one demographic that we're seeing, high-end systems, variable speed and all the bells and whistles on that.

Now on the other end, if you go back to the '08-'09 time frame, Trane only served the premium channel with a premium product. So if you think about a \$12 billion market, Trane was covering a portion of the \$6 billion premium market. And in 2013, we actually launched to the premium market a value product called Ameristar. So then we had Trane, American Standard and Ameristar in that channel. And if you just look back over 6 or 7 years, we've gained share every quarter over a long period of time now. The last few years, we've launched 2 new products into the value channel, both a value product, and into the value segment of the dealers, RunTru by Trane and Oxbox manufactured by Trane. And so this is the first time we'll have gone through a recession with really an opening price point value product through the value channel, which is a \$6 billion market for us.

So again, bifurcation in what we're seeing in the early days, between people that feel good about their job and feel good about security around that, working from home versus people who don't feel good about their prospects, who always will mix down in a recession where they need to repair first, and if not repair, replace. And here, I think we're well positioned with a couple of new offerings this time around. So the timing there is pretty good for us. Now all that being said and done, look, recessions aren't good things and there's going to be troubling times, but we've got a lot more tools in the toolbox right now than we used to have.

Question – Joseph Alfred Ritchie: Got it. That's super helpful, Mike. I guess the follow-on there on just the resi side. Is there any reason to believe that pricing discipline in the market changes at all or you think you'll continue to be able to get price even in a potentially down market?

Answer – Michael W. Lamach: Yes. I think on the resi side, which is very different than commercial or TK, the resi side, the efficiency levels are set, it's really around manufacturing efficiencies, making the right product bets, inventory bets, having good distribution and great dealers, and that's where the differentiation really is. But in terms of the input costs versus price, it would take 10 points of volume to offset 1 point of price. So you're not seeing really anybody historically signing up for that math. I mean, it's really not something we're interested in. And so I think it's been very structured historically and I really don't see anything changing here moving forward.

Question – Joseph Alfred Ritchie: Yes. The math is the math on that. And good to hear that people are staying disciplined. On the service business, Mike, the service and parts business, talk a little bit about that business as well because we have this issue with the pandemic that you don't have access to sites. And so that, I'm sure, hurts part of the business. Is that a part of the business that you can potentially see kind of snap back? And then also, any commentary that you can give us around like your remote monitoring business. How big is it today? Does this accelerate that business on a go-forward basis?

Answer – Michael W. Lamach: Yes. Our service business, I mean, the one bit of confidence I would have, and this is a business where you don't get visibility because it's literally hundreds of thousands of customers doing service with you. And buildings do have to be open. But I am confident that buildings eventually will open. And when they open, there's going to be deferred, delayed and/or additional precautions and surety customers want, both for employee and tenant safety, but also from a liability perspective, they're going to want to make sure that buildings are operating correctly. So I anticipate that from a service perspective, we're going to have all hands on deck, and it will be busy when things open up as it's been in every recession. Let's take the last recession, which was deep, it took a couple of quarters for that to kick in. When it kicked in, we saw double-digit service growth. And my hope is we experience the benefit of having that service model this time around. I don't know exactly when, but the early indications in China, albeit 1 month, is we're starting to see buildings open and service demand returning there for sure.

Question – Joseph Alfred Ritchie: Got it. That makes sense. And maybe just kind of just jumping into EMEA for a second. I know that your TK business is a pretty large business in EMEA. Just touch on, there's a little bit of a disconnect between EMEA and the U.S. like EMEA is holding up a little bit better and maybe just talk a little bit about how that business is exposed either to restaurants or grocery stores or other verticals and how that may differ than the U.S.

Answer – Michael W. Lamach: Yes. Really, Europe is very different than the Middle East and so you get really a tale of 2 regions within that EMEA broader region. But what's in common there is these are generally going to be larger applied systems, right? We don't do residential. We don't do really light unitary work there. And so we're tending to work more in the applied space or really solely in the applied space in those markets. We nibble around the edges opportunistically around some of the unitary stuff that we do, but this is why the service business has always had

sort of a large proportion of the mix in the region it's because it was built on an applied base. Asia is exactly the same for us, particularly China, where in China we don't participate really in that residential or light commercial business. It's almost exclusively an applied business with a high attachment rate towards services. So that does hold up better for us.

But if you're referencing kind of why did we do kind of teens deleverage in those markets versus the Americas where it was 100%, again, just remember the law of smaller numbers there. We had probably \$20 million of expense we took in the Americas. And a lot of that expense in the Americas was borne for the rest of the world. We didn't bother with the accounting to figure out how to allocate crises charges back to entities. That just didn't seem like a good use of anybody's time to procure PPE to start up factories and plants and then worry about cross-charging that back to the right legal entity didn't make any sense to us. So that's kind of why you got some noise there. But the big picture is, we can manage the deleverage across the enterprise. We did that in the first quarter, which arguably was a hard decision for us to shut -- I mean, easy decision, but a hard impact to take in the quarter for us to shut down at that point in time.

And then in the other regions, particularly Asia, we'll get a glimpse into what starts up and how those initial offerings look. One little anecdote, some color in China. The first week we opened, which is probably now sort of 3, 4 weeks ago when I would say buildings were beginning to open, we put out some initial proposals to about 60 of our customers around doing some wellness inspections and some indoor air quality system installations, either monitoring or some of the solutions that we have that would kill pathogens. And within a few days, 23 of those came back and were accepted. Now in and of itself, they're not huge needle movers to put indoor air quality monitoring stations or put in some of the systems that we have to help kill pathogens, but it is indicative of, I think, what we will see, which is more design and more retrofit opportunity to put these systems in place around the globe.

Question – Joseph Alfred Ritchie: Got it, Mike. That's helpful. I guess one last question, and this one's coming from the audience. It's been a key theme that we've been talking about throughout the entire conference, and that's been reshoring. So this person would love to get your views on reshoring, what that potentially means for your business or what that means from a customer perspective and whether you guys could be a derivative beneficiary of reshoring accelerating in the U.S.

Answer – Michael W. Lamach: Yes. There's points of view here. One, I'm going to give you the Trane Technologies point of view and one I'm going to give you as the Chairman of National Association of Manufacturers, which I'm chairing now and a view of 14,000 manufacturers and what we think. But first, I'll tell you on the Trane Technologies side, 100% of really what we sell in the Americas is made in the U.S., not even in Mexico. So in terms of reshoring for us, there's not anything we can really do. We manufacture it in the U.S. today and we've got one smaller compressor plant that feeds some product into a few of our businesses. For us, it gets down to sort of Tier 3, Tier 4 components coming in from parts of Asia. And there, I do think you'll see, where that's the case, looking for supply, alternative supply closer to home. We were able to get through all of this from a supply chain perspective, but the amount of airfreight that we would take in to do that, kind of going hand to mouth with these long supply chains, was an impact to every company, including our own company.

And then from the NAM perspective, yes, I do think you'll see more reshoring here to the U.S., tighter supply chains and maybe even eventually some incentives for companies to do that, which would be great to look at incentives to reshore and whether that's tax abatement or other strategies to encourage that, I think that'll happen. But as a course of this, I do think you'll see supply chains closer to home. Of course, the leaner you are as a company, I mean, Toyota would be a great example of this or Honda. But certainly, I would say that we've always focused on lean. You tend to have shorter supply chains, but you also have less inventory. And so with leaner companies, you may see sort of a buildup in kanban systems with more parts being held on in inventory. And you'll continue to see supply chains get shorter. And that'll be a definite aftermath of all this as we regroup and replan for the future.

Question – Joseph Alfred Ritchie: Mike, that makes a lot of sense and appreciate the perspective on both fronts. Mike and Chris, thank you both for participating in the conference. Always great talking to you and hope you guys have a great weekend.

Answer – Chris Kuehn: You too.

Answer – Michael W. Lamach: Thank you.