(TH) Target Hospitality Corp.
Q4 and Full Year 2022 Earnings Call
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Officers and Speakers
Mark Schuck, Senior Vice President of Investor Relations and Financial Planning
Brad Archer, President and Chief Executive Officer
Eric T. Kalamaras, Executive Vice President and Chief Financial Officer
Troy Schrenk, Chief Commercial Officer

Analysts
Scott Schneeberger, Oppenheimer
Greg Gibas, Northland Securities
Stephen Gengaro, Stifel

Presentation

Operator: Good morning, and welcome to the Target Hospitality Fourth Quarter and Full Year 2022 Earnings Conference Call. (Operator Instructions). After today's presentation, there will be an opportunity to ask questions. (Operator Instructions). Please note this event is being recorded.

I would now like to turn the conference over to Mark Schuck, Senior Vice President of Investor Relations. Please go ahead.

Mark Schuck: Thank you. Good morning, everyone, and welcome to Target Hospitality's fourth quarter and full year 2022 earnings call. The press release we issued last week outlining our fourth quarter and full year results can be found in the Investor section of our website. In addition, a replay of this call will be archived on our website for a limited time.

Please note the cautionary language regarding forward-looking statements contained in this press release. This same language applies to statements made on today's conference call. This call will contain time-sensitive information, as well as forward-looking statements which are only accurate as of today, March 10, 2023.

Target Hospitality expressly disclaims any obligation to update or amend the information contained in this conference call to reflect events or circumstances that may arise after today's date, except as required by applicable law. For a complete list of risks and uncertainties that may affect future performance, please refer to Target Hospitality's periodic filings with the SEC.

We will discuss non-GAAP financial measures on today's call. Please refer to the tables in our earnings release posted in the Investors section of our website to find a reconciliation of non-GAAP financial measures referenced in today's call, and the corresponding GAAP measures.

Leading the call today will be Brad Archer, President and Chief Executive Officer, followed by

Eric T. Kalamaras, Executive Vice President and Chief Financial Officer. After their prepared remarks, we will be joined by Troy Schrenk, Chief Commercial Officer, and open the call for questions.

I will now turn the call over to our Chief Executive Officer, Brad Archer.

Brad Archer: Thanks, Mark. Good morning, everyone, and thank you for joining us on the call today. Target's record-setting 2022 results are a direct reflection of our commitment to further solidify our strong financial standing while positioning the business to quickly respond to strategic growth opportunities.

Throughout 2022, Target meaningfully increased its minimum revenue commitments, diversified its end market customers and increased discretionary cash flow by 215%. We achieved these accomplishments while serving a diverse customer base across 29 communities. We have remained focused on providing premium full-service hospitality solutions to our world-class HFS clients, many of whom have been customers for over a decade. As a result, Target had consecutive quarterly HFS demand increases, resulting in a 17% year-over-year increase in utilization with consistent customer renewal rates of over 90%, which we have enjoyed for over 7 years.

Target's reputation and our commitment to these customers supported numerous HFS contract renewals and extensions over the past year. We anticipate these contracts will add over $200 million of cumulative revenue through 2028. We are pleased with our current HFS utilization and its ability to meet our strong customer demand. However, we will thoughtfully evaluate select opportunities to add capacity in response to customer demand where appropriate, while also adequately expanding our significant market share.

During 2022, we demonstrated Target's superior operational flexibility that allowed us to match increasing HFS demand while simultaneously utilizing its existing assets to expand our government segment by 60%. The end result was a more fully-optimized network and more valuable contracts.

Regarding the Government segment, we have completed the enhancements to our expanded humanitarian community announced in July of 2022. With its completion, we have solidified this community as the only purpose-built campus with the sole mission of providing critical hospitality solutions in support of the government's humanitarian aid efforts. We can say this one of a kind, all-inclusive community has exceeded the expectations of our partner and the U.S. government.

Since its inception in 2021, it has been our belief this world-class facility would be the premier community providing critical hospitality solutions to the government's humanitarian aid missions. This belief has recently been affirmed, with the U.S. government publicly announcing their intention to consolidate the remaining active influx care facilities.

Additionally, we are pleased to announce that our nonprofit partner has recently been awarded an indefinite delivery and definite quantity contract related to the extension

of our humanitarian community in Pecos. This award, consisting of a base 5-year term with an

additional 5-year option, establishes the contracting vehicle required by the U.S. government to appropriately fund multiyear contract awards. The IDIQ award to our non-profit partner is one of the final steps in the government's contract award process prior to working through definitive agreements. We are highly pleased with the progress as the contracting vehicles come sooner than expected, and we anticipate working through additional contract specifications over the coming months. We look forward to solidifying the longevity of this community and the critical humanitarian mission it was purpose-built to provide.

As a reminder, last year, we entered into an exclusive 11-year partnership with our national nonprofit partner. The long-term agreement solidified our joint commitment to continue providing critical humanitarian services to the United States Government at this highly-customized campus.

In summary, we have achieved our strategic objectives to materially strengthen Target's financial position while simultaneously diversifying our customer base and continuing to accelerate value creation for our shareholders.

I'll now turn the call over to Eric to discuss our fourth quarter financial results 2023 financial outlook and capital allocation initiatives in more detail.

Eric T. Kalamaras: Thank you, Brad. In the fourth quarter, we experienced continued strong demand fundamentals and positive momentum in customer activity, predominantly driven by growth in our Government segment and the materially expanded humanitarian community.

Fourth quarter 2022 total revenue was $152 million, and adjusted EBITDA was approximately $91 million. Our Government segment produced quarterly revenue of approximately $115 million compared to $47 million in the same period last year. This significant increase was attributed to the expanded humanitarian community we announced in July.

As a reminder, Target's Government segment, including the expanded humanitarian community, centered around annual minimum revenue commitments. Additionally, the expanded humanitarian community includes variable service revenue that aligns with monthly changes to community population. This contract structure provides ideal flexibility for our customers, as their occupancy requirements fluctuate over time, while also providing meaningful minimum revenue commitments that create significant revenue and cash flow visibility for Target. We have found this structure is the optimal outcome for all parties, and it creates a sustainable structure, which we believe is the basis for contract longevity for years to come.

Our HFS segments delivered fourth quarter revenue of $36 million compared to $34 million in the same period last year. This increase was driven by sustained momentum in customer demand for Target's premium service offerings.

Recurring corporate expenses for the quarter were approximately $9 million, and we anticipate recurring corporate expenses will remain around $9 million to $10 million per quarter for the remainder of the year.

Total capital expenditures for the quarter were approximately $27 million with $23 million related to the substantial infrastructure enhancements required at the expanded humanitarian

community. With the completion of community enhancements in 2022, we expect a more moderate pace of capital expenditures.

We ended the quarter with $182 million of cash and over $305 million of liquidity, with zero borrowings under the company's $125 million revolving credit facility and a net leverage ratio of 0.6x.

From 2020 through 2022, Target has remained focused on reducing total indebtedness and maximize financial flexibility. Over this time, we have reduced total cumulative debt of more than $225 million. Additionally, we recently announced a $125 million partial redemption of the 9.5% senior secured notes, further illustrating our commitment to a disciplined capital allocation strategy, focused on high-return initiatives.

Inclusive of the $125 million note redemption, we will have reduced total indebtedness by over $350 million since 2020 and over $200 million in the last 12 months alone. Over the past 12 months, we have increased the intrinsic value of the equity by over $2 per share just from these balance sheet initiatives. This highlights our commitment to allocating capital to the highest-return initiatives while continuing to maximize value creation for our shareholders.

Turning to our financial outlook and capital allocation objectives. Target's enhanced end market portfolio and contract structure has supported increased minimum revenue commitments and provided greater visibility on long-term revenue and cash flow.

Additionally, we are pleased with the progress of discussions relating to the multiyear term extensions for the expanded humanitarian community. We believe the government's decision this week to issue an IDIQ contract award to a non-profit partner solidifies the sustainability of this purpose-built community by establishing the necessary mechanism to fund specific multiyear contract awards. We continue to work closely with our non-profit partner and anticipate additional contract specifics related to Target's critical hospitality solutions to be finalized in the coming months.

Coupled with our ongoing business development efforts that have created the strongest project pipeline the company has seen in several years, the company is reiterating its preliminary 2023 financial outlook, which includes revenue of $525 million, maximum revenue of $710 million with adjusted EBITDA of $365 million.

Excluding acquisitions, 2023 capital spending should approach more normal levels between $20 million and $30 million per year, predominantly focused on organic growth capital.

The range of preliminary 2023 revenue reflects the possible contribution of variable service revenue associated with expanding humanitarian community, along with other potential second half weighted revenue catalysts.

As it relates to the expanded humanitarian community, Target expects the government to continue managing its community allotments based on a variety of factors, including seasonality, the regular use of smaller dispersed shelter capacity across the United States and other variable demand dynamics. For the quarter, the government's nomination to our community have remained in line with expectations, which contemplate the range of variable demand dynamics,

including a typically lower seasonal census during the winter months.

However, there are a variety of other potential catalysts that have shifted from our original expectations. For instance, the government delayed its previously-anticipated lifting of Title 42 from December 2022 to May of 2023. As a result, the consolidation of remaining influx care facilities has taken longer than expected, resulting in delayed timing of additional variable service revenue. We expect an increase in variable service revenue weighted more towards the second half of 2023 as a result of this shift.

Target's enhanced balance sheet will allow the company to continue evaluating a range of high-return capital allocation initiatives focused on maximizing long-term shareholder value, while simultaneously expanding long-term growth opportunities. Target has identified and continues to pursue an active and expanding pipeline of strategic growth opportunities. These opportunities include expanding reach across government agencies in support of select national defense projects, as well as unique commercial diversification opportunities spanning a variety of domestic energy transition initiatives.

Target is prepared to allocate over $500 million of net growth capital to these high-return opportunities through 2027.

As a result of the size and scale of these strategic projects, there's inherently a longer program cycle prior to award announcement. And while final outcomes are not 100% certain, we can say we are quite pleased with the progress of discussions, and believe there are tangible milestones being achieved on these important large-scale projects. We look forward to providing additional updates in the coming quarters as the opportunities progress.

With that, I will turn the call back over to Brad for his closing comments.

Brad Archer: Thanks, Eric. Our record-setting 2022 results illustrate our commitment to enhance operational flexibility, maximize asset utilization and provide unmatched value to our customers, which have supported the achievement of our strategic objectives. We are well positioned entering 2023 with an optimal balance sheet and over $300 million of liquidity. We will utilize this foundation and the tremendous momentum we have created to continue pursuing initiatives focused on accelerating value creation for our shareholders.

I appreciate everyone joining us on the call today, and thank you again for your interest in Target Hospitality.

Questions and Answers

Operator: We will now begin the question-and-answer session. (Operator Instructions). Scott Schneeberger with Oppenheimer.

Scott Schneeberger: For my first question, I would like to kind of hone in on the development

with your partner with regard to the IDIQ award. Could you just talk a little bit more, another level of detail, about what has occurred there? And if helpful, maybe compare and contrast this year's negotiation period and process as opposed to last year?

Eric T. Kalamaras: Scott, good morning, it's Eric. So great question, so let's discuss last year first, and I think it's a good segue to this current discussion. So recall last year, when the awards were done, they were done on an emergency basis, right, and so they were done that way specifically in 2021, and we did that in 2022. And those emergency mechanisms by nature are effectively a 1-year funding structure, which determines the contract term.

So with this IDIQ, I think the big change on this is the permanent shift into how the government is thinking through the infrastructure around their UC capacity. And this allows for the mechanism to be much longer, right, a multiyear process. Now there are effectively two step-functions here. The first step-function, which is this, which is to create the IDIQ funding mechanism, which in this case, is a really super-important point because it establishes the 5-year initial term and then the one 5-year option, which is what we've been talking about for many months. From that point forward, then there's a discussion around what exactly the scope of services look like and any sort of economics out of that.

Now last year, if you recall -- and we don't expect any changes; we have not made any changes in terms of the economics, so I think that's important. We've had that experience for 9 years with Dilley; we had that experience last year as well. Now last year also though, the scope increased, right? So the only modifications we made were structurally to increase the scope, but no other economic terms effectively changed.

Now we would expect the same here going forward as it stands today, which is why we have not made any changes to our outlook. And we'll continue the discussion around with our government partner -- with the government, as well as our nonprofit partner around that scope as the government releases that information over the next few months.

Brad Archer: And Scott, maybe I'll just add -- this is Brad, good morning -- but add a few things there because I think it's very important. Eric mentioned going from emergency to the ICF, and when you look at that, today, there's only two active ICF. And one of them we know is at Fort Bliss, been out publicly, that at some point here in midyear of 2023, that they're going to mothball that and not use it anymore. That's there; they've put that out publicly. So this has always been out there and the government moving into the more permanent type facilities longer term, I think that bodes well for where we're at. But that was a big distinction in this contract, moving to the more permanent facility, the government rebalancing their portfolio as well. And this is allowing them to do that.

Scott Schneeberger: Okay. Thanks, guys, very informative. Some good points there. I guess, let's transition it to kind of more near term. That sounds like an excellent long-term development. But more near term, Eric, you highlighted kind of like second half stronger than first half on seasonal utilization in West Texas. Could you just speak to -- and as Brad just mentioned, kind of the Fort Bliss wind-down dynamic? How should we be thinking about your inflows at West Texas based on seasonality, one, and wind down of Fort Bliss?

Eric T. Kalamaras: Sure; another great question. I'll say holistically that the capacity that we're seeing is exactly what we would expect to see. In fact, it's very similar to what we saw last year as well. And so the contractual mechanism we have in place and the occupancy levels we have are doing what we would expect them to do. The one shift that we had that I mentioned was the expectation of Title 42 being lifted by the administration on December 21, 2022, which ultimately delays things.

Now that's relevant because we also in and around that time, we're just completing PCC expansion. So because of the timing of this and Title 42, the government delayed how it was thinking about Fort Bliss. That was relevant because that allowed Fort Bliss contract to stay a little bit longer than we would have otherwise anticipated. So effectively, what's happened is that capacity has been shared, if you will, between PCC and Fort Bliss.

So as we move forward with Title 42 being lifted, with the typical seasonality we would 10 expect from Children's specifically, right, because that's the census population that really impacts us, and then the movement of Fort Bliss this summer and the termination of that, that shifts a lot of things really to the second half. So I would love to give you a quantum of number, which is probably what you would prefer I do, but unfortunately, I cannot do that.

Suffice to say that -- look, I would just say that I think a lot of things are being positioned towards the second half. It's hard to say what that quantum is because as you know, migration flows are not clear; albeit, we can say -- and I think we may have touched on this at some point in the past -- is that over half of the entire touch points on the immigration flows in 2022 alone were rejected specifically due to Title 42, and the rest came in through Title 8, which is the typical asylum claim.

The reason why that's relevant is because once that's lifted, you would effectively see, as it relates to 2022 at least, just using that as a precursor, you would have expected to see the immigration flows double from where they would have been actually. And so I think it's relevant as opposed to where we are now. We will see what happens near the balance of the year, but my expectation would be that the inflows would be pretty significant.

Scott Schneeberger: Thanks. And just one more for me and I'll turn it over, and it goes back to the first topic I raised and one of your comments during prepared remarks, or in response to that first question, was with your partner and the IDIQ award, should we anticipate, now that it looks like it would be a 5-year base and a 5-year extension, it sounds like that is being established in this new development. I have heard from something that one of you mentioned that it would probably be the same structure as a base lease payment and then a variable utilization component. Is that how we should think about the future contracts, or may it be structured in another fashion?

Brad Archer: Scott, when we submitted with our partner on the IDIQ, that's exactly how we submitted, the way it's set up today. We haven't heard any change, just the way the IDIQ at this point was given to them. So we had to put in a base concept pricing in all of that to be awarded this.

Scott Schneeberger: All right, guys, I'll turn it over. Thank you.

Operator: Greg Gibas with Northland.

Greg Gibas: Congrats on the quarter as well. If I really could just follow up on that IDIQ from the nonprofit partner, what are the next steps there? And when would we expect to see an update on that contract?

Eric T. Kalamaras: Yes, great question. So like we've said, it will be -- these things do take a little bit of time. This is a little bit of a process. I think what we need to get surety of is any scope modification that could be a result of the changes, right? So the first step is to create the funding mechanism in appropriate dollars, which is effectively what this means, right? The next step then is for the government to finalize its scope. Now as you recall last year, we increased the scope from 4,000 beds up to an additional 2,400, right? So it increased dramatically.

Now again, that's a reflection of I think, one, the built-for-purpose nature of the facility, which is truly -- I would love to say it's best-in-class; that would be unfair. It's actually absolute world-class and by far, the absolute best facility out there. The other thing that needs to come into play here is you have to bear in mind, the government is re-imagining how they think about its capacity. They have 22 shelter locations across the United States. Those tend to be very small, they are logistically challenging. And our understanding is that they're seeking additional alternatives.

And so the point being is that there could very well be other locations that come into play here. And so we'll just have to see what the scope changes look like, if there are any locations increase, if there are any, and then just go from there. So but I think that process is going to take -- as we mentioned, it's going to take a few months.

Brad Archer: Yes, which is much shorter than what we've been doing. And we started this process in, what, September with the IDIQ when we submitted. Even before that, we've been talking about it, so we think this is a huge hurdle for us to get over. We did that. And I just reiterate, I think it's probably a couple of months, as Eric said; there will be discussions immediately but that are already happening, and then we should conclude this, I would say, in the next few months. And my point there, it's just not a long -- you're not talking 6, 8, 9, 10 months here.

Greg Gibas: Yes, great point, and that's very helpful, guys. And just to follow up there again, as we think about them thinking about perhaps changing the scope on that contract, if we think about Fort Bliss being mothballed, like you said, is it a safe assumption to assume that they would require more scope?

Brad Archer: Look, I think when you look at Title 42 supposedly coming off in May, I would just tell you, high-level, I think the need for our types of services are going to be greater. We think there will be more deals out there; we would have to win those. I'm not sure there will be more scope, if you will, at our West Texas facility, but I think overall on the border, across the U.S., some of the things that we're dealing on now, I think there will be a greater need. It doesn't mean we're going to end up with them, but I think our pipeline -- and we touch on this -- is more active and more real than it's been ever in our company so --

Eric T. Kalamaras: Yes, I think that's a great point. I think to add on to that, as Brad mentioned, a

great point, which is our pipeline is exceptionally active in and around these types of things. But in addition to that, Greg, just for clarification, the government, as part of this process, has clearly indicated that they are net short capacity, right, and they know it. And so to Brad's point, what the ultimate outcome of that is still yet to be determined. But I would submit to say it's not a far stretch, it looks much better for Target. So we'll just leave it at that, but it's certainly not -- certainly very positive.

Greg Gibas: Got it, very helpful. And then I guess lastly, just what is maybe reasonable to assume regarding variable revenue this year? I know you provided the range, but what would maybe be kind of a rough baseline that would be a fair assumption?

Eric T. Kalamaras: We had initially indicated that we were going to look at close to $50 million in variable revenue for 2023. And as I've said, that will be pushed more towards the second half, specifically partially due to the Title 42, but really, it's really a function of the typical seasonal census that we're seeing right now, which is not out of the ordinary. So that's actually coming in fine. Look, I'd like to say there's a chance that it's better than all that, but look, we'll just have to wait and see. I think it's a little too early just to say if it is better, how much.

So look, I think, it's hard to make a determination, Greg, when you're in this shoulder period when you're coming off of the period where fewer net children have been coming over the past few months, right? And so that kind of winds down the influx capacity a little bit, or need a little bit, and then we'll see what that looks like, particularly coming to spring, which is seasonally very, very strong, exceptionally --could be exceptionally strong with the changes in the administration policy.

Greg Gibas: Got it. Thanks for the color. I'll pass it on.

Operator: Stephen Gengaro with Stifel.

Stephen Gengaro: A couple of things for me. The first was just on the variable piece. And I don't want to read into this too much, but when we think about the $50 million expectation for the year at least, I guess, as sort of the baseline, how much those utilization of the asset this year impact the negotiation? Like is it pretty clear, this long-term need is sufficient where like if your utilization was low this year, that the government could rethink the capacity needs longer term, or is that reading into too short term of a data point?

Eric T. Kalamaras: Yes, so I understand why you would ask that question. I think it's very much too short term from a data point, partially because what we're seeing is no different than what we saw last year at the same time. So that's kind of point number one.

Point number two, I think the case of the Dilley location is a great case study for this. That was renewed for 5 additional years right in the middle of Covid, right, with very few occupants obviously, for health reasons. And so I don't think there's really a correlation to that one bit. As we mentioned, the government is net short on the influx capacity, and so I don't think that really has any bearing as to how they're thinking about this.

Stephen Gengaro: Okay. Thanks. That was what I thought, but I've gotten the question, so I figured I'd ask you. So the other sort of bigger-picture question -- if we work under the

assumption and our model is kind of built this way, that you guys do secure this long-term contract, and then we look out -- and you don't have to bless the number, but then you're looking at, I don't know, $175 million to $200 million of annual free cash flow and visibility on that free cash flow. What does [redo] over a multiyear period as far as utilizing that cash? And maybe -- I know we've touched on this a little bit, but what are the other sort of end markets you might access, or could this just be a massive return of capital story to investors?

Eric T. Kalamaras: Look, it's a great question. The answer is -- look, I've been a broken record probably the past year on this. But the answers are different when you're dealing with an emergency funding mechanism versus a long-term IDIQ structure, okay? So my point is my answer is going to change slightly a little bit. So look, I think there is a time where you do start looking at other capital return initiatives, okay? And I think we could be approaching that time.

Now that said, we are -- and we've said this many times -- we are absolutely in growth mode, too, right? And so there's a lot of things we can do around that. We can certainly look at some cash transactions, which we have, but we have been very deliberate and very patient in that regard. And we have not found the right thing at the right value just yet, but there are some opportunities out there. There are other opportunities to materially grow the business, to do equity exchange type transactions, right? And so but that's not really a use of cash necessarily. But there are opportunities to materially grow the business and diversify the business that way.

And then, look, we put the balance sheet in a spot where we said we would, and now, we're at a spot where, to the point when you start looking out over the next 3 or 4 or 5 years, and you're talking $600 million, $700 million, $800 million of free cash flow that can accumulate, you do start looking at shareholder return activities.

Brad Archer: None of these are mutually exclusive.

Eric T. Kalamaras: To Brad's point, none of these are mutually exclusive, and we have a tremendous amount of flexibility. And so what we can do with this is we can do cash transactions, we can do equity exchange deals, we can do dividends, etc. We can do these things all contemporaneously at this point. And so, look, I think we'll enter a mode where we'll start looking at that in a more deliberate fashion because I think that's probably close to that time coming.

Stephen Gengaro: Great. Thank you. And then just one final or me. When you think about the oil patch and what's going on in HFS South, it feels like there's a sustained level of activity there, probably not a lot of growth, given the way that E&Ps have remained pretty disciplined. Is it reasonable to think about that business as being kind of pretty steady-state at current levels? I know you had the contract extensions, which gives visibility. But is that a reasonable way to be thinking about that piece of the business in 2023?

Eric T. Kalamaras: Sure. Look, I think you're right, and the way we think about that business, it's a fantastic business. We just had $200 million of contract renewals there. As we've communicated before, we do tend to see a lag, so we do expect margin growth there over the next couple of quarters, and perhaps meaningful margin expansion there, which is great. But look, that business generates so much cash and it is so helpful in diversifying our balance sheet

and what we can do, that despite it being, call it, a GDP-type business at this point, absent any other sort of strategic moves we may make in terms of smaller kind of tuck-in sort of acquisitions. Look, that's a fantastic business for us and we will continue to operate that and capture as much market share and margin as possible while supporting our customers and their needs. But look, the growth notwithstanding, it's a fantastic business.

Unidentified Company Representative: And utilization is increasing, right?

Unidentified Company Representative: Absolutely, it is.

Eric T. Kalamaras: And I think, look, we had put that business in a in a fantastic optimizational spot. And we're really, really pleased with where that's positioned at this point.

Brad Archer: We're starting to see some movement on price, not huge, but as Eric said, there's always that lag; it's not going to be a huge mover for us because we have a lot of long-term contracts that are already baked in. But as we come up on renewals and new high-grading customers, we're having a much better outcome on those negotiations. So not sure you'll see a huge move, but it's nice to see that we are getting some of those now and higher utilization.

I think overall, we've really, over the past couple of years looking at the consolidated portfolio, right? When we look at margins, when we look at growth, what can we do to maximize every room in our portfolio? So when we look at that, we look at it holistically, whether that's with government, whether that's with rare earth type companies or if that's the oil and gas side. And I think the team has done a tremendous job in really capturing that for us.

Stephen Gengaro: Yes, thank you. That's helpful color and the feedback we get is very positive. So it dovetails on what you just said, so thanks.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Brad Archer for any closing remarks.

Brad Archer: Just thanks again for joining us on the call today, and we look forward to speaking to you again in May when we deliver our first quarter numbers. Thanks.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.