Company: Teekay Offshore Partners LP

Conference Title: Teekay Offshore Partners' Fourth Quarter and Fiscal 2016 Earnings Results

Moderator: Ingvild Sæther

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Operator: Welcome to Teekay Offshore Group's Fourth Quarter 2016 Earnings Results Conference Call. During the call, all participants will be in a listen-only mode, after which you will be invited to participate in a Question and Answers session. At that time, if you have a question, participants be asked to press Star 1 to register for questions. For assistance during the call, please press Star 0 on your touch-tone phone. As a reminder, this call is being recorded. Now, for opening remarks and introductions, I would like to turn the call over to Ingvild Saether, Teekay Offshore Group's President and Chief Executive Officer. Please go ahead.

Scott Gayton: Before Miss Saether begins, I would like to direct all participants to our website at www.tkoffshore.com, where you will find a copy of the Fourth Quarter 2016 Earnings Presentation. Miss Heather will review this presentation during today's conference call. Please allow me to remind you that our discussion today contains forward-looking statements. Actual results may differ materially from results projected by those forward-looking statements. Additional information concerning factors that could cause actual results to materially differ from those contained in the forward-looking statements is contained in the Fourth Quarter 2016 Earnings Release and Earnings Presentation available on our website. I'll now turn the call over to Miss Saether to begin.

Ingvild Saether: Thank you, Scott. Hello, everyone, and thank you for joining us on our Fourth Quarter 2016 Investors Conference Call. I'm joined today by David Wong, the CFO at TK Offshore group, as well as Kenneth Hvid, TK Corporation's President and CEO, and Vince Lok, TK Corporation's CFO. During our call today, I will be walking through the earnings presentation, which can be found on our website.

Turning to slide 3 of the presentation, I will briefly review some of TK Offshore's recent highlights. In the fourth quarter of 2016, the partnership generated distributable cash flow, or DCF, of 21.6 million, resulting in a full year DCF of 161.3 million. On a per-unit basis, the partnership generated DCF of 0.15 per unit for the fourth quarter, and 1.28 per unit for fiscal 2016. The partnership generated cash flow from vessel operations, or CFVO, of 135 million and 584 million in the fourth quarter and fiscal 2016, respectively.

Although we had anticipated better results in Q4, some key factors negatively impacted our result, including a temporary suspension of operations for the Arendal Spirit UMS, which I will discuss further in a moment, and higher operating costs in the shuttle fleet, mainly to further operate the Navio Nanglia for trade in the North Sea, after returning her from her charter in Brazil earlier this year. While Q4 was a challenging quarter, we have made good progress on initiatives to further reduce cost from our operations. In early January, we completed the sale of the 1995 built shuttle tanker, Navio Narupa, for net proceeds of approximately 14 million, and recorded a gain of approximately 7 million.

I'm also pleased to report that Offshore having secured a 3-year COA contract for the Glenline project in September 2016, we are now close to finalizing in use[?] five-year, plus expense and option shuttle tanker contract of affreightment in the North Sea. This core[?] is expected to commence during the first quarter of 2018, and because the contract will be serviced by the partnership's existing core shuttle tanker fleet, it will further increase our fleet utilization and harness the partnership's cash flow, without the need for incremental capital expenditures. We are encouraged by the continued strong fundamentals in our shuttle tanker business, where we are a market leader.

Turning to slide four, the shuttle tanker market continues to tighten with both charter rates and utilization increasing, driven by strong underlying fundamentals. You can see this in the graph on the right side of the slide, which compares North Sea shuttle tanker contract of affreightment, or COA rates, with North Sea anchor handler rates. While rates in other offshore services have weakened due to the low oil price environment and reduced EMT spending, shuttle tanker rates have been increasing due to both demand and supply factors. Demand for shuttle market capacity has continued to grow, due to a combination of more listing points and new fields coming on stream. And at the same time, the supply of the available shuttle tanker capacity fleet continues to shrink, with no uncommitted new buildings on order, and an aging global fleet that will see several vessel retirements before the year 2020. As a result, North Sea shuttle tanker core rates have increased by approximately 40% over the last two years, given the limited available capacity in the shuttle tanker market, which TK Offshore has benefitted from.

Turning to slide five, as noted in my opening remarks, we continue to work hard at reducing costs. In our shuttle tanker business, we have seen a steady decline in our North Sea shuttle tanker operating expenses since 2008, primarily driven by a shift in our manning model, to employ more ratings and officers from the Philippines, as well as a strong focus on reducing our supply chain costs. Throughout 2016, our SPSO business underwent a significant initiative to reduce operating expenses, which resulted in reduced supply chain costs and changes on board our SPSOs to reduce crewing costs. During 2016, the partnership also took measures to reduce costs in its onshore organizations. To these initiatives, we have reduced our onshore headcount by approximately 75 employees, which will result in run-rate GNA savings in future quarters.

Turning to slide six, I would like to update you and the status of the Arendal Spirit UMS. On November 2016, the Arendal Spirit UMS experienced an operational incident relating to its dynamic positioning system. We also had an April 2016 incident, which resulted in the replacement of the unit's gangway. Following the DP incident, the charterer, Petrobras, has initiated an operational review. While the operational review is underway, Petrobras has suspended charter hire payments to the partnership. Throughout this period, we have maintained an ongoing dialogue with Petrobras, and our main priority is to address their concerns and return the unit to full operation as soon as possible.

Turning to slide seven, we continue to push forward to deliver on our pipeline of committed growth projects. This is a slide we have shown you in previous quarters, updated to reflect our latest remaining Capex and financing figures as of December 31, 2016. As a reminder, once all of these projects have delivered, they are projected to contribute an additional 200 million per year of run rate CFVO. Over the next several slides, I will provide a brief up-to-date on each of these projects.

Turning to slide eight, as noted during our third-quarter earnings in November 2016, the Petreol One SPSO upgrade project has experienced delays and additional costs, and is now scheduled to be on the field in late 2017. The main causes for delay include the more challenging topside operation than originally anticipated, the condition of the unit following a cold layout prior to the project, and scope changes. Despite these setbacks, progress is being made on the unit, which is now approximately 85% complete, and we continue to increase resources at the yards to ensure work continues to progress according to the revised delivery schedule. We have been in close dialogue with the charterer, QGEP, and are close to reaching a commercial agreement on a revised delivery date. Given the commercial sensitivity of these negotiations, I can't provide additional details at the moment, but I look forward to updating you further once these negotiations have concluded.

Turning to slide nine. Progress on the Guinea Corp. FSO conversion project, project continues, and as of today, the unit is approximately 98% complete. We have experienced a slight delay in the project as we come down the home stretch. However, we expect to commence our charter with Stectol in mid-2017. The converted FSO unit, named Gran Ric, is expected to have a fully built-up cost of approximately 280 million. The unit will operate under a three-year term period contract, plus 12 additional one-year extension options on the Guinea Corp fields in the North Sea.

Turning to slide 10. The Libra Estezor conversion project at the Jurong shipyard in Singapore remains on schedule, and was 98% complete as of the end of January 2017. As you can see in the naming ceremony photo at the bottom of this slide, we're very close to sail-away. This has been a well-run project for TK Offshore and our joint venture partner, and we remain on track to complete the project both on schedule and within the project's 1 billion dollar budget. This unit is expected to achieve first oil by Q3 in 2017, and we will operate on the Libra field offshore Brazil under a 12-year charter for a consortium of oil majors, as shown at the bottom of the slide.

Turning to slide eleven. Our three East Coast Canada shuttle tanker new buildings are also on schedule and on budget. Construction on all three vessels has commenced, with the first vessel now 65% complete, and construction on the third vessel just underway. You can see in the photo at the top right of this slide one of the massive hall sections being lowered into place at the Samsung yard in Korea. These three vessels, which have a total cost of approximately 375,000,000, are scheduled to deliver during the second half of 2017 and first half of 2018. They will replace two in charters and one owned vessel, currently servicing these 15 years plus extension options contract with the consortium of 9 oil companies. The vessels are fully financed with a 250 million long-term debt facility secured in June 2016.

Turning to slide 12, I will conclude the review of our projects with an update on our towage new buildings. Our towage business, ALP, currently has a fleet of 10 long-haul towage vessels consisting of seven underwater vessels and three remaining new building vessels, which are scheduled to deliver during 2017. The ALP fleet is the most technologically advanced and youngest towage fleet in the market, and we will be the only owner of 300 tons [inaudible] vessels capable of the largest SPSO and SL&G tows. In January 2017, we completed the successful tow of the Kraken SBSO from the Keppel yard in Singapore to the Kraken oil field in the UK sector of the North Sea, which you can see in the photo at the bottom of the slide. Although the long-haul towage market currently remains challenging, we have been maintaining fleet utilization by booking short-term contracts, which include drilling rig, repositioning's and scrapping, moorings and hook up installations and ad hoc emergency tasks.

Turning to slide 13, I would like to rest of my first quarterly conference call by reviewing our top priorities for 2017. Foremost, we will remain focused on striving for high standards for safety and operation excellence. There is no compromise here. This is what our customers expect from TK offshore, and this is vital both for obtaining the trust and winning new business. TK offshore has 53 underwater assets, of which 50 are on contract. So unlike many others in the offshore sector, our assets are producing cash flow. Although we have done a lot, I still see a great opportunity for us to continue to improve both our operations and bottom-line performance through better decision-making at every level of the organization. Second, as highlighted by the time on today's call devoted to our committed growth projects during 2017, we will be keenly focused on execution and delivering these projects for contract start-up. Some of these projects are more challenging than others, but delivering on all of these projects will be essential for growing the partnership's operating cash flow. Third, we have three SPSO charters which are coming up for renewal in 2018 and 2019, which we are working diligently to extend or secure new contracts. Extending these cash flows is a top priority, and we are in active discussions with all of the current charterers[?]. I hope to be able to provide further updates on these efforts in the coming quarters. Fourth, as we mentioned previously, we also plan to focus on optimizing our asset portfolio, which may include certain asset sales and or seeking joint venture partner. This will help further strengthening our solvency and liquidity position. In the face of a challenging offshore market, we will remain focused on strengthening TK Offshore's financial position and financial flexibility, so that we can take advantage of opportunities at the offshore market recovers.

Thank you all for listening. Operator, we are now available to take questions.

Operator: Thank you. And as a reminder, it is Star 1 to signal for a question at this time. We'll go first to Michael Webber with Wells Fargo.

Michael Webber: Hey, good morning, guys. How are you?

Ingvild Saether: Good, thank you.

Michael Webber: Ingvild, congrats on your first call, and it's good to be speaking with you again this morning. The first question I wanted to start off, actually, some business that got done at the parent level, some SPSO. There's an SPSO extension, and that looks like an amendment to the bath[?]. But the implications for the SPSO space and for the re-let market for TOS assets, seems like they're in play. Seems like it was a nice surprise. I'm just curious, how should we think about the re-chartering, the re-let market, or kind of the employment outlook for assets like the Voyager in a few years? Has it changed significantly, and I guess, what are the successful extensions and amendments at the parent level, say, about TS as a TOO in the SPSO market in general?

Ingvild Saether: Yes, I guess you would be hearing more about the TK SPSOs on the call tomorrow. But, generally, we can say that the psychology of the market is different when the oil price is around $55 region than last year, when it was around $30. It's obviously the focus of our customers to extract as much value as they can out of the fields that we are on, and that's a combination of how much oil we are producing, and the oil price, and the other costs of the field. We are working very closely with all the customers on the units that will come off contract the next year, to find the sweet spots where they can extract maximum value out of the field.

Michael Webber: Understood. That's thoughtful. You mentioned in the prepared remarks and the release as well, it seems there's kind of an ongoing opportunity set within the shuttle tanker market. Can you talk about how deep you think that is? How much of an opportunity, either on a dollar basis, or in terms of number of assets, do you really see out there for TOO for the next couple of years? It's been a bit surprising, you guys being able to steadily add business, especially during the last two years, in this environment.

Ingvild Saether: Yeah. There are two markets in the shuttle tanker business. One is the time charter market, where you are chartered for a longer period of time, and the other one is the COA market, where the customers take a fraction of the vessel, so more like a taxi service. And those are quite distinctive difference. We know that there's a lot of vessels that we'll retire in the next two to three years in the North Sea, so that will provide opportunities both for the time charter market, where we see start dollars out with the requirement for vessels right now, and also for the COA market. And what's special about the COA market is that you have to have a combination of contracts and vessels to make it work. You need to have a certain size. And that makes it more difficult to start from scratch to build up a position in this market.

Michael Webber: Gotcha. All right. That's helpful. A couple more and I'll turn it over. I do want to touch on the Arendal Spirit UMS, second issue there, and it's under operational review. I know you probably can't get into too many details about the outcome, but I'm curious, what options does Petrobras have, you believe, within the operational review? I guess, what's the spectrum of outcomes here, whether they can pursue – once that operational review is triggered, can they renegotiate the contract? Can they walk away from it? Just to kind of set the landscape for us, without getting into specifics about the actual outcome in the booking[?].

Ingvild Saether: I was down in Brazil three weeks ago, and met with the relevant people in Petrobras, and the focus is for them to complete the operational review, and for us is to provide them the information they need to complete that operational review and get the units back into full operation.

Michael Webber: Understood. But in terms of the – does going into operational review trigger any potential rights for Petrobras within the contract, that investors should be aware of, in terms of the spectrum of outcomes?

Ingvild Saether: No, our focus is really just to get Petrobras comfortable with the operation and the safety of the unit, and we – and I think that is the focus of Petrobras as well. It is an operational review.

Michael Webber: Okay. I can follow above one. One more and I'll turn it over. To Guinea Corp., and I might have missed this. Did you guys give a reason for the slight delay there? Is there any incoming adjustment to the charter contract, or anything along those lines, for the delay? And I want to be sure of what the rationale is behind it.

Ingvild Saether: We are working hard to complete the final, final stage of the project down in Singapore, and have a focus on getting that completed. It's just taking a bit longer time, at the home stretch of the project here. We have a very good and open dialogue with Statvolte, and we expect that there won't be any issues for cancelling of the –

Michael Webber: No changes to the charter?

Ingvild Saether: No.

Michael Webber: Okay. That's helpful. I'll turn it over, thanks for the time.

Operator: We'll go next to Spiro Dounis with UBS Securities.

Spiro Dounis: Hey, Thanks Ingvild.

Ingvild Saether: Hello there.

Spiro Dounis: Hey there. I just wanted to start off on the Varg. Sorry if I missed any update there. I'm just wondering if you could update us just around timing, and when you think Donetsk[?] could re-charter, and maybe what the cost parameters could be if it does actually need new work to get on to a new field. I think historically you guys have given a range, anywhere between 2018 and 2020. Is that still the case, or have you been able to refine that at all?

Ingvild Saether: No, for Varg, we have been working and we are working on several opportunities. One of the opportunities we worked on was that the vintage Slepnir Ost[?], that announced a couple of weeks ago that they will go with the tieback option. We are now working on one specific project, but we also see that there are still other inbound requirements for this unit. And as we know, it's a quite flexible unit that has meet the Norfolk[?] requirements. We are quite confident that we will find worker, and I think the timeline is the same as it was last quarter.

Spiro Dounis: Okay. That's helpful. And then, just as we think about the EBITDA uplift from these new shuttle tankers with the new COA that you signed, I don't know if you can provide a number around that, or it might just be something to think about. How many shuttle tankers do you have right now that you feel are unutilized, and what is the uplift we can expect there to the ones that go into that COA?

Ingvild Saether: It would really be to optimize this fleet and get the maximum utilization out of the fleet that we have, and we are basically sold out for 2017 and we are getting very – getting good utilization also in 2018, so I think that's – what we will look at is how can we optimize the fleet even more to get more utilization out of it. For instance, if some of the piers require storage to set to water for 10 days, and we free up some of the shuttle capacity by using an ordinary tanker, and then get some more utilization out of our fleet. Those are the things we're looking at, to really get the maximum benefit out of our shuttle fleet, during the next couple of years.

Spiro Dounis: Got it. Okay. And then, last one for me, just around funding projects and repaying debt over the next, call it, two years. Could you just, maybe, walk us through the main sources of cash, as we think about that going forward, from a vessel sales perspective, or a sale-leaseback perspective? Do you feel that you've done everything you can there, or you could we expect you to do more of that down the road?

Ingvild Saether: Yeah. I will redirect that question to Vincent.

Vincent Lok: Yeah, sure. As Ingvild mentioned, and that's what we've mentioned last year, we've always contemplated further strengthening of TOO's balance sheet by, I guess what we call it, asset portfolio optimization, which is really looking at some asset sales and bringing in some joint venture partners as we've done a little bit in TOO – but for more extensively in the QB. And that gives us an additional source of capital, to not only deleverage our balance sheet, but also provide another source of growth capital going forward. In terms of the major uses of capital versus, really, to fund the equity portion of our remaining Capex program, we have all the debt facilities in place, but there is some remaining equity that is still needed to fund those, and we can use it, a lot of the existing liquidity, to fund that, of course. But, as you know, we do have some bond maturities that are coming up in late 2018, particularly these two NUT[?] funds at the end of 2018. They do have a requirement that requires us to issue equity to offset any dividends, so it would be nice to start chipping away at some of those maturities and remove the diluting effects of those bonds, so that is another thing where considering, as we're looking at asset sales.

Spiro Dounis: Got it. I really appreciate that colour. Thanks, everyone.

Operator: And we'll go next to Fotis Giannakoulis with Morgan Stanley.

Fotis Giannakoulis: Yes, hi, gentlemen. I would like to ask you about your SPSOs. If you can give us an update on each of the fields that they operate. I'm talking about the ones that come out of contract in 2018 and 2019. Which of these they could extend of the same field, and which of these you think they will have to find new employment at some different field?

Ingvild Saether: On our first unit, the Ostros, it has a term period until January 2018, and this unit has operated a number of different fields as an Early Well Test unit. And as far as we can see, this is a prudent and successful approach to the field development where TK Offshore is able to generate a meaningful cash flow for the customer. As I said, I was down in Brazil only a couple of weeks ago, and Petrobras seemed to be prepared to start discussions on how they can use this unit on further fields. On the Voyager Spirit, that has a term period up to April 2018. It's currently operating on the Huntington field, producing approximately 10,500 barrels per day, resulting in an average cost per barrel of about $30, which is of course, well above the current oil price, or well below, sorry, the current oil price of 55, 56. This is a modern unit with gas compression that could potentially produce at other fields on the UK side. We are in active dialogue with Premier regarding a track extension, which we will intensify, as we get further into 2017. And, in addition, since this unit does have an extension option, we are also actively marketing the unit to new customers. And lastly, the Panama Spirit has a term period to February 2019. We are still in early days. We expect to continue constructive dialog with Petrobras as we get closer to 2019 and get a better sense of the remaining field life.

Fotis Giannakoulis: And regarding the Panama[?] and the Voyager that you are in discussion for mobilizing to different fields, do you have any estimate of what would be the incremental Capex over any potential mobilization to a different field?

Ingvild Saether: No, that would be very dependent on which field it will be relocated to. But remember, the Panama Spirit is operating until 2019, and Petrobras has a number of extension options on that going out into 2020s, and so it's a bit early to talk about that.

Fotis Giannakoulis: Okay. Thank you. And one last question. Can you remind us how much of debt that you have at your balance sheet is guaranteed by you and how much by the parent?

Ingvild Saether: Yes. I will redirect that question to Vince again.

Vincent Lok: Hey, Fotis. There is some shuttle tanker debt that is guaranteed by the parent, relating to what we call the Explorer-class shuttle tankers. That debt is amortizing as we speak, and just off the top of my head, I think that's the majority of the debt that's guaranteed by the parent and the rest is really TOO. There are some guarantees of certain swaps, but most of those guarantees would expire in early 2019.

Fotis Giannakoulis: Thank you very much, Vince. Thank you both.

Operator: We'll go next to Espen Landmart with Fernley's.

Espen Landmart: How are you guys? Just following up on Fotis, really. Within the vessel space, some of your piers seem to be very proactive in terms of taking direct ownership in the upstream projects to facilitate redeployment. And I guess you've seen some similar trends on L&G, both on the re-gas and section sides. Just curious to see if that's something that the TK Group would consider at some point as necessary.

Ingvild Saether: We are always watching keenly what our competitors do, and look at different business models. I think our focus in the near term is to keep the units we have on the existing fields, and we are discussing with the customers more along the traditional business model to do that.

Vincent Lok: It's getting there[?], obviously. We're following the same trend with interest, as you were saying, and rightfully so. There's a lot of change that has happened to the industry over the last couple of years, where we've seen small or medium-sized players which haven't been quite as capital strong today as they were a couple of years ago. What's interesting in this space is, of course, that you have SPSOs that are sitting on fields where we really – the key to unlocking those cash flows and I think that's what a number of our competitors are seeing. It just, on the lines, underscores that there's a lot of value that goes hand-in-hand. But as you know, it always takes a number of parties to come to play to really unlock those values. We are fortunate, where a lot of the fields that were are looking at, we, first and foremost, as [inaudible] said, really focused on getting the right customer profile and peer profile, so the projects that we are on are financeable. We don't really see straying into becoming an oil company here. It is an interesting focus, but we are of the belief that we are served best by sticking to our needing, and that's where our strengths are.

Espen Landmart: Right. That's helpful. I'm just going to follow up, you know, on the net term rollovers that you have. Some of these units for you have, I guess, high book values in comparison to the – what would be realistic if it were to expire.

Vincent Lok: Now, I think all in all, we would think the units that Ingvild just went over there already, they were already attractively priced. They are fairly small units, so that is another difference on the segment that we're playing in here. They're not the billion-dollar plus assets. They are kind of key units, as Ingvild said [inaudible] go in and do EWT testing at a very competitive cost, and therefore, the written down values on, for example, the Ostrus, is even more competitive today, and it can produce for a number of years. And if we look at some of the other ones, on Voyager, that has a pretty low break-even cost when it comes off as well, and has been filled or written down. Ingvild touched on it before.

We, obviously, don't know exactly what operations will be required to it, but it is a modern unit, where we did a lot of gas compression upgrades when we went on the Huntington fields. There should be a number of fields that it can produce. The key significance here on the new build of the existing fields is, of course, that the valuations that they are sitting at is hugely below the replacement cost of these units. And that's what we've talked about before, for example, on the Vaughan PSO, which is an older unit. But if you were to build it today, it would still be a billion-dollar plus type of SPSO in order to produce the same fields. We think that they represent a very attractive value proposition to the customers, as they are still resolving for relatively low oil price break-evens.

Espen Landmart: Yeah, all right. Thank you.

Operator: We'll go next to Ben Brownlow with Raymond James.

Ben Brownlow: Just to follow up on the Arendal[?] Spirit. When you look at the steps you're taking to re-charter that, does that involved possibly renegotiating the day rate?

Ingvild Saether: We're not in discussions with Petrobras about re-chartering, we are in a discussion with Petrobras on an operational review, where they want to make sure that the unit is operating to their safety standards, and that there won't be any issues. That is the only focus on the discussions we have with Petrobras.

Ben Brownlow: Understood. And assuming, from a modelling standpoint, the vessel OpEx for the Arendal Spirit. Is that $7 million a quarter run rate based on the fourth quarter, is that a decent assumption going forward during the downturn?

Ingvild Saether: Yeah, I would say it's a little high because we are focused on the safety and are praying for the unit, but it would be a little lower than that. But that would be sufficient going forward, around the 6 million.

Ben Brownlow: Great. That's helpful. And one last one for me. On the shuttle tanker side, I guess the roughly eight vessels you have that are approaching the twenty-year age mark over the next year or two, can you comment realistically how long you can employ those past the twenty-year age, just given the strong COA rates that you've seen? It seems like that would be an opportunity.

Ingvild Saether: Yeah. It could be an opportunity for some of the customers who are listing fields offshore and tanking directly to their terminals. For instance, Exxon is a company that are listing at their own fields and using at their own terminals. If you want to trade the oil that you are picking up, then you really need to stick to the twenty-year rule, because you have all these oil companies having the vetting departments that have a hard stop at 20 years. It really depends on the customer, and how they can – how they need to trade the oil or take it to their own terminals.

Ben Brownlow: Do you see a lot of alternative usage for those assets, as you think about the retirement, FSO conversions or other opportunities?

Ingvild Saether: Well, if you look at the track record we have on the shuttle tankers, these have been quite popular for other projects. We have, obviously, the Nagano Wotba shuttle tanker that's now the Libra SPSO, we have the run-rate shuttle tanker that is becoming the Guinea Corp. FSO, as reported, we sold the Wotba – sorry, Novegia is the SPSO, the Libra SPSO. Wotba was also sold for an FSO conversion or project. We have a track record of being able to sell these vessels for ongoing new projects.

Ben Brownlow: Great, thank you.

Operator: Now will conclude our question and answer sessions. We will turn the conference back over to Ingvild Saether for any additional or closing remarks.

Ingvild Saether: Thank you all, and I look forward to speak to you next quarter again.

Operator: That does conclude today's conference. We thank you for your participation. You may now disconnect.