Micro Focus Lender Call

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Corporate Speakers

- Earl Dowling J. P. Morgan
- Chris Kennedy Micro Focus

Participants

- Imran Bora from Citizens Bank
- David Rogers from Apollo Global Management
- Nick Roope from Barings
- David Melka from New York Life
- Adam Moss from Carlyle Group
- Tom Jose* from MeDirect
- Yonatan Naymark from Credit Value Partners
- Dan Berkery from Stone Harbour
- Matt Lapides from Abry Partners
- Mike Latham from HIG Whitehorse

PUBLIC PRESENTATION

Operator: Welcome to the Micro Focus Lender Call. The conference has now begun. The host for today's call will be Earl Dowling. All participants are muted, and there will be a question-and-answer session at the end of the call.

At this time, I'd like to turn the call over to Earl Dowling of J. P. Morgan.

Earl Dowling: Great. Thank you very much, operator; and thank you, everyone, for joining this call. On the heels of the Company's trading update on Monday and equity investor call on the same day, the Company today is hosting a call designated for the lenders associated with the Micro Focus syndication. Today joining me from the Company is Chris Kennedy, Chief Financial Officer of Micro Focus, and he will go through a short prepared remarks section and then we will quickly move on to a Q&A session for the lenders on this call.

So without further ado, I will hand it over to Chris Kennedy.

Chris Kennedy: Thanks, Earl. Good morning to everybody. Good afternoon to those of you [not] in North America. So there were four key things that we announced on Monday. We announced that since the interim results on the 8 January 2018, the rate of year-on-year revenue decline has been greater than anticipated and that's mainly driven by license declines. And so in consequence, we revised our constant currency revenue guidance for the 12 months to 31 October 2018 to a new range of minus 6 to minus 9 percent compared to the prior comparable pro forma period. At the same time, we announced that we were tracking ahead of plan on cost reductions, which we believe will mitigate the impact of the reduced revenue as an adjusted EBITDA margin percentage level for the full year and we guided to a circa 37 percent full year adjusted EBITDA margin. And we also said that although collections remain impacted by our new IT system, and I should clarify that that is the ex, that is the heritage HPE collections which are on the new system, that they would be at elevated levels at the half year due to those system implementation issues. I should say that the Micro Focus side of the business, the collections, remain absolutely as we'd expect them from a historic perspective. And we also said that net debt outlook at the 31st of October 2018, we still expect it to be in line with market expectations, which at the median is 4.2 billion.

And whilst we're not happy with the recent performance, I do want to reiterate that we've got a strong balance sheet and business model. At the 31st of October 2017, we had a leverage of 3.1x, cash on the balance sheet of $730 million, and undrawn RCF of $500 million. There are no covenants in our term loans and the earliest tranche that is repayable is in November 2021. We're cash generative; we've delevered from the date of the transaction from 3.3x to 3.1x and we'll continue to delever and we restated our leverage target of 2.7x, which we expect to meet some time during the next fiscal year.

So I just go now onto the principal reasons for the revenue decline, which we believe are transitionary. I mentioned the FAST implementation issues. This is the new IT platform that was implemented within the heritage HPE businesses, just immediately post completion. That impacted the efficiency of our sales team, the ability to transact with partners and our cash collections. It's also exacerbated the attrition of sales personnel, which were already higher than we'd expected due to the integration. We've had some disruption of global customers from the disaggregation of the Hewlett Packard Enterprise companies and we continue to see sales execution issues, particularly in North America.

As you'd expect, we've already taken actions to address the issues, including a renewed focus on the top global accounts, further investments in additional field sales reps, and continuing to strengthen the sales management team in the Americas. The impact of the system issues is now under better control and we are seeing improvements in stability, throughput, and accuracy. And we also announced as a result of the ongoing system issues, we were reviewing the timing of the second phase of our IT transformation, which is the migration of the Micro Focus systems onto the new IT system. We previously announced that we'd start that from November 2018. We're now reviewing that timeline.

Despite the integration challenges, the Board believes that the fundamental thesis of the HPE software acquisition remains intact. Micro Focus's strategy, dividend policy, leverage target, and our return of value approach remain unchanged as does our view of the mature enterprise software market and our ability to be one of the consolidators within it.

And with that, I'd like to open up for Q&A. So, operator, would you let the participants know how to ask a question please?

PUBLIC QUESTION-AND-ANSWER SESSION

Operator: At this time, if you'd like to ask a question, please press star/one on your phone. If you'd like to withdraw your question, please press star/two. Again, that is star/one to ask a question.

The first question comes from Imran Bora of Citizens Bank. You may now ask your question.

Imran Bora: Hi. So you mentioned the 37 percent EBITDA margin, does that include synergies and are there any big adjustments there?

Chris Kennedy: Yes, Imran, it is as a result of the continued cost rationalization program and, as I said, we're ahead of our target on that. At the time of the acquisition, our thesis was that with modest revenue declines, we'd be able to bring the HPE business, which at the time was operating at around a 22/23 percent margin, up to the historic Micro Focus levels of around 45 percent and that was through cost takeout.

Imran Bora: So just to clarify, the 37 percent includes synergies that have been realized or does that include unrealized synergies for the future?

Chris Kennedy: No, no, no, that's actual in year cost savings. Clearly, we are going through a cost program. But within the guidance, we're only including the in-year benefit, not the full annualized benefit, which obviously we'd see in the following fiscal year.

Imran Bora: Okay. So you mentioned about some customer accounts, have you lost those customers or is there just a delay?

Chris Kennedy: No, we haven't lost customers. Our products are so deeply embedded in our customers' IT infrastructure that it's not really a question of losing a customer; it's more that if you don't have salesmen selling in the full portfolio, then the opportunity to deliver is sort of [sic] in-year sales through new licenses isn't there, so we haven't lost customers, we've just underperformed in what we sold to them in the first quarter.

Imran Bora: Okay. And the IT system issue, is that all behind you now or is that still an issue?

Chris Kennedy: No, it's not behind us. We're still in stabilization phase. As I said in the opening remarks, every week that goes by, we're seeing increased throughput, stability, and accuracy, but we continue to stabilize the existing system, which is why we are reviewing the migration of the Micro Focus system going to it because we want to make sure it's stable before we do that.

Imran Bora: Oh sure. And just finally, it's not a question; it's more of a comment. I think it would make sense for you guys to actually have a call every quarter with investors, especially given the decline in guidance, but I just think it makes sense given the size of the facility. Is there a plan to have it every quarter?

Chris Kennedy: Currently the next announcement is in July with our interim results, but thank you for the feedback.

Imran Bora: Okay, thank you.

Chris Kennedy: Thank you.

Operator: The next question comes from David Rogers of Apollo Global Management. You may now ask your question.

David Rogers: Great. Thanks. Can you guys hear me?

Chris Kennedy: Yep. Hi, David.

David Rogers: Yes, given the cash collection issues you guys are facing from the IT implementation issues, what's your expectation for full year working capital usage?

Chris Kennedy: The guidance we've given on net debt makes an assumption that we will have burned through the temporary increase. The reason for highlighting it in the statement was I don't think we will have burned through it by the end of April. And so when we come to [results in] July, you'll see some DSOs above normal levels. Before the merger, or before the combination, Micro Focus' DSOs were 45 days. They're actually still 45 days. We're still working through the legacy HPE terms. I won't commit to 45 on the HPE side, but I see now reason why we can't get it down into kind of the 55/60-day range on that side and then further progress in the following fiscal year.

David Rogers: Okay, got it, so I'll go back and look at sort of the legacy businesses just to kind of get an idea of the working capital profile

Chris Kennedy: Yeah.

David Rogers: And then dividends, if you could just refresh my memory on what the expectation for dividends for the full year.

Chris Kennedy: So the dividend policy is unchanged. It's two times cover on the adjusted measure, so that's an ordinary dividend. That's unchanged. And then longer-term, our policy has always been that once we get below our leverage target and if we get below by a meaningful amount and we can't see a better use for the money, then we'll return it as a capital distribution to shareholders.

David Rogers: Right. So today you're paying a $0.34 cash dividend semiannually, is that correct?

Chris Kennedy: It sounds about right, yeah.

David Rogers: Okay, understood. Thank you.

Operator: The next question comes from Nick Roope of Barings. You may now ask your question.

Nick Roope: Hey, guys, can you hear me okay?

Chris Kennedy: Yep. Hi, Nick.

Nick Roope: My question's really on the seasonality of sales and just given the relatively rapid decline in revenue guidance just in the last two months, is there any reason why that has happened at this time of year or it's a current trajectory continued and you weren't able to stabilize the top line with the yearend a lot worse? That's sort of what I'm trying to understand. Thanks.

Chris Kennedy: Yes, so we've done a lot - as you'd imagine, we've done an awful lot of analysis, and you're right. The revised guidance we've given does assume that the revenue trajectory that we've seen in the first quarter and going into Q2 does not continue for the rest of the year. And the reason for that is having done the analysis, we do believe that these are transitionary issues. When we look across geographies, whilst EMEA and APAC Japan have not hit plan, they're pretty close to it. And as I said in my opening remarks, there is a focused execution issue in the Americas. It seems to be related to the - - well it is related to licenses. We've looked at it - - we scan the market, looked at the performances of companies operating in our space. They're not showing the declines that we're showing. Products are performing differently in different markets, but so again we believe it's more an execution issue. It's difficult to sort of convey the distraction for senior management and sort of the impact on salesforce efficiency of the IT issues we faced certainly in Q1 and it has persisted into Q2. I was in a presentation from the team yesterday. Their description was "light at the end of the tunnel," but we're still in that stabilization phase, but we have confidence in resolving substantially all the issues so that we can trade more normally in the second half. So it's not a seasonal thing; it's very much an integration and an IT issue and, as I said, sales execution in the U.S. in particular.

Nick Roope: Thanks. That's very clear and helpful. I guess you must be somewhat limited in what you can say here, but are you able to split out the revenue decline by geography or by business unit and just parceling out where the HPE legacy, Micro Focus, and the growth product you have that's a small part of revenue? Just anything, color like that would be helpful.

Chris Kennedy: Well it's license. The U.S. Maintenance is performing as we'd expect. I know we say that's almost half our revenue. In terms of products, we haven't given any information. Again, one of the things that makes us think it is a transitional issue is that both portfolios have - - the heritage Micro Focus and the heritage HPE, they both declined. HPE has declined more because they're on the new system and the heritage Micro Focus are on systems that work, so you'd expect the elements of the decline that stands as systems issues is obviously more pronounced or is confined to the heritage HPE portfolio. But again, it's another data point for us because it's both portfolios. The Micro Focus portfolio, which we understand very well indeed, has also had unusually high decline rates, which we attribute to the integration.

Nick Roope: Okay, thank you. That's clear and helpful.

Operator: The next question comes from David Melka New York Life. You may now ask your question.

David Melka: Thank you for taking my call. I just wanted to focus on two things. One, I wanted to ask you to just talk in a little more detail please about the IT transformation. And in particular, what are you migrating? I know you said on the earnings call from January that it was an ERP system as it relates to legacy or heritage HPE. Is it just limited to ERP or are we talking about everything all the way through the sales and software that you use? Is it soup to nuts or is it just subsegments of the software needed to run that business?

Chris Kennedy: It's more of the soup to nuts end of the spectrum, so it's the finance system. It's the quoting, it's the sales CRM, the HR unit, procurement, so right across the base, which we've gone from something like 600 - - more than 600 separate applications in the old HPE legacy architecture to around 150 in the new one, but it's pretty much the entire stack.

David Melka: And is this something you are doing with meaningful involvement from consultants? Are you doing it yourself? What's kind of been the problem here? Is it moving too quickly, miscommunication?

Chris Kennedy: So I mean the genesis of this system is that HPE has embarked on the FAST development before the combination and, in fact, I believe even before the announcement of the deal. This was entrained because HPE realized they needed to transform the architecture. At the same time, Micro Focus had been looking at doing the same because the thesis is that if we are to be a consolidator in the business and consolidators need scale and low-cost operating models, that we wanted a fit for purpose, modern platform on which we could just migrate future acquisitions. So that work has been going on. I think it's fair to say that the timetable was ambitious. It's a huge project and so it was ambitious. We chose to push forward because we felt it would be a forcing function for the integration. It has proved to be that. But as with any large-scale IT transformation, you are going to have teething trouble. The implementation is supported by - - we've got a big four firm heavily involved in the systems integration, so - - and they are still there helping us fix forward and burn down the issues we've still got.

David Melka: And as it relates to the challenges this is presenting, is it - - am I hearing you right that you're having trouble getting bills out, but is it also that the salespeople don't have the tools they need to follow-up and track things? It is a mixture of all of that that's particularly problematic as it relates to revenue generation?

Chris Kennedy: So, yes, absolutely, we had problems with the initial invoicing. I mean again, the genesis of this is that we really start - - we went live in November '17, but obviously the big load went through the system in January, which is when we started to see - - and it's only when you ever get to a kind of an end swim *[sic]* process and push everything through at volume and load up the system that you start to see the issues. So, yes, to begin with, we had invoicing issues. We have fixed those now and all new invoices are - - or 95 percent plus of invoices are going through smoothly now, but obviously we've got a backlog that we need to work though.

The question around the salespeople's visibility, the salespeople claim that it was hampering their visbility. We think regardless of whether you got system issues, if you're a salesman, you should be able to see who your customers are and where your deals are and you - - so we did have the visibility albeit in a sort of fairly messy way and that's what I was talking about earlier in the sense of impacting the efficiency of salespeople if they're having to build their own pipeline view and it's taking longer for them to get quotes out and so on by spending less time in front of customers. And again, I think I won't say we're through all of the issues, but we're in a much better place than we were in January.

David Melka: Okay, that's very helpful. And then if I can also just ask: With regards to legacy Micro Focus, you've said it here and you said on the call of the other day that that's also been challenged relative to revenue growth. What's creating that problem?

Chris Kennedy: So that is attributable really to what you'd expect from the disruption that you get from any merger. So on the 1st of November, we put both salesforces together and created a single salesforce under a single management, so people had new leaders. We changed the sales comp on the HPE side, but you got new teams, people in new roles, people being led by different people from how they were before and all of the natural human nature, the sort of uncertainty created by a merger of this scale, so it's very difficult to quantify between the various buckets with each transitional reason that I've highlighted, but there was definitely an impact on heritage Micro Focus side from that salesforce restructuring.

David Melka: Is the turnover there? Is it starting to come down yet or are we still at elevated levels that you've seen over the past six months let's say?

Chris Kennedy: The attrition is still higher than we'd want it to be. Kevin has said on - - in the Q&A on the Monday call, we're probably 10 points higher than what we would consider normal. We're still higher than where we want to be. But again, our outlook guidance is based on getting that attrition down to normal levels during H1, which we'd say is around the 15 to 20 percent mark for a software company.

David Melka: Okay, thank you very much. That's very helpful.

Chris Kennedy: Okay, thank you.

Operator: The next question comes from Adam Moss of Carlyle Group. You may now ask your question.

Adam Moss: Hi. Good morning. Can you hear me?

Chris Kennedy: Yes, I can, Adam. Good morning.

Adam Moss: Okay, just another capital allocation question. I think during the marketing period for the deal, the Company said it would refrain from repurchasing shares while its net leverage was above 2.5x. However, that comment was made obviously when the share price was a lot higher relative to now, so just I think the Company still has flexibility within the credit agreement to repurchase shares. And especially as you get closer to the three times net leverage, I think you'd have unlimited flexibility. So just given where your stock is trading today and I think you've got a lot cash on the balance sheet, you continue to generate free cash, how do you think about buying back your stock? Thanks.

Chris Kennedy: Yeah, so we don't think it's our job to buy back on short-term market movements, but we have said that if we see the shares persistently undervalued for a period of time and we have the capacity to do so, then we would consider a buyback. Right now, we're still in the first - - the week of the announcement, so it would be far too early for us to be thinking about doing something now.

Adam Moss: Okay. I mean your stock's off 50 percent. Okay, thank you.

Chris Kennedy: Thanks.

Operator: The next question comes from Tom Jose of MeDirect. You may now ask your question.

Tom Jose: Hi. Good afternoon. Thank you for taking my question. I had two if I may. I suppose one is: We've seen a decline in both segments, but and it probably helps me understand the model a little better. How with all the issues you've outlined, why is that SUSE is still growing? Are we saying that maybe SUSE is not affected by the challenges across the IT and the salesforce or is the growth number that you've given for SUSE net or a net of all that, i.e., the growth in SUSE could've been a lot higher? My second question is: The cost savings of $600 million that you've outlined, I'm sure a lot of people have asked you, but have you arrived at a revised figure? I'm assuming you have to reinvest in the business, so would that be $550/575? And maybe it's too early to have come to a number, but I just thought I'd put the question out there. So thank you very much.

Chris Kennedy: Okay, thanks, Tom. So, yeah, you're right, SUSE is performing to its growth charter and we're pleased with its performance and that's within the guidance we've given as well. The reason SUSE is unaffected is that we run it as - - because it's a growth company, it's different from the rest of the portfolio. We run it very differently, so it has its own salesforce. It's run off the heritage Micro Focus infrastructure, so really it has been unaffected and continues to perform in line with our expectations. So thanks for raising that. On the cost savings, the reinvestment is not that great. There are obviously increased one-time costs associated with the IT side of life as we remediate the issues, but we did flag at the prelims that and we're reiterating again the estimate of $750 million of one-time costs remains the same as it was. When the deal was originally proposed, we said 600 of that would be associated with cost reduction and 150 with the IT. Obviously, the IT's going to be higher than that now and the - - but also the estimates on the cost take, the cost of the cost take out was a conservative one so we can imagine within the $750 and we can go well beyond the $600 million. So I've got a lot of confidence in being able to deliver the cost savings.

Tom Jose: Thank you very much.

Operator: The next question comes from Yonatan Naymark of Credit Value Partners. You may now ask your question.

Yonatan Naymark: Hi, guys. My questions were already answered, so I'll let somebody jump into the queue. Thank you.

Chris Kennedy: Thank you.

Operator: The next question comes from Dan Berkery of Stone Harbour. You may now ask your question.

Dan Berkery: Hi. Two questions. The first one: Are you guys willing - - so the SUSE Linux business, like the other fellow said, has been a great growth business. With the current stock price, one might argue that it's not fully valued inside Micro Focus. So my question is: If you were to spin off SUSE Linux or do some sort of partial IPO, do you have a leverage target after that that you would like to share with us or could share with us?

Chris Kennedy: So I mean you're right in that nothing's changed in the announcement. The valuation of SUSE should still be the same, so the stock reaction should be on the MFPP [Micro Focus Product Portfolio] side of life. What - - again, we've persistently said that as long as we can create value by having SUSE within Micro Focus, we'll continue in that respect. If we see that there comes a time when the investment profile is such that it has a better owner, then we'd consider that. We are entirely focused on shareholder returns, so we'll do what's best for the shareholders. Right now, we really are focused on fixing the issues around the transition and that's where the management focus will be, but our view on long-term on SUSE is - - we'll consider… If it needs better owner, then we'll look at ways to facilitate that. We don't have a leverage target attached to that because we're not at that place yet.

Dan Berkery: Well let me ask it maybe a different way. As a potential lender, I see value in SUSE as well and if that is not fully in the collateral package, do you have a lower leverage than 2.7 that you would shoot for sort of the Micro Focus legacy business and the HPE legacy business without a majority ownership of the SUSE Linux?

Chris Kennedy: I get where you're going with the question. If and when there were a transaction, we just have to look at what was the appropriate leverage for the two businesses. We're a U.K.-listed entity with a U.K. shareholder base and their appetite - - currently we think their appetite is - - where our leverage is today is broadly in line with their appetite. And the other thing I would say is that we think SUSE should trade on a higher valuation than what we call MFPP, the rest of the business, the overwhelming proportion of the cash flow, and we are highly cash generative, is coming from that mature legacy portfolio and 65 percent of that is maintenance or subscription, so that's an ongoing maintenance stream almost akin to an annuity. So I know from a cash flow lending point of view, that's the key.

Dan Berkery: Okay, that's it for me. Thank you.

Chris Kennedy: Thank you.

Operator: The next question comes from Matt Lapides of Abry Partners. You may now ask your question.

Matt Lapides: Hey, thanks for holding the call today. I'm just curious, I mean you guys have done a myriad of acquisitions over the years and had terrific success in integrating and the such, so I mean I guess that begs the question is: Given the sort of stubbing of the toe on this one, is - - did you - - is there something different in - - are you seeing something different in this business than you thought when you made the acquisition or is it just purely just execution for one reason or another has dropped off? I was wondering if you could comment about that now that you've owned the business for some time, kind of what it looks like versus what you thought it was.

Chris Kennedy: So a difficult one for me to answer because I didn't live through the earlier acquisitions. But again, what I would say is: We are - - we're disappointed with the execution. It's not an excuse, but a huge amount has gone right. The - - we've got a great integration management office. They have executed brilliantly. They've burned through 10,000 actions, so what we are - - what we're putting in the announcement is what went wrong, I mean rightly, but there is an awful lot that's gone right. So and it's not the right time…we need to get on and fix what we've - - this transition and that's where our focus will be, but it's certainly hasn't altered our view that we can be the natural consolidator in mature enterprise software. We believe we have the capabilities to do it and especially when the FAST platform and the - - with stable - - a stable platform on which to onboard future acquisitions, then we're in a good place, but we have to get through this short-term bump at the moment and that's what we're focused on.

Matt Lapides: Then how should we think just generically speaking about what that short-term bump might be?

Chris Kennedy: Well I think the outlook we've given is how you should expect to see it, so we've guided minus 9% to minus 12% revenue at the half year. We said that we can take out more costs so that the revenue downside this year is mitigated at the EBITDA margin level and we've guided for minus 6% to minus 9% at the end of the year. So that - - I think that in numbers, that accurately sort of describes the bump.

Matt Lapides: Got it. That's helpful. Thanks a lot. And then maybe I just would echo the prior - - one of the earlier callers' comment about holding quarterly calls. It's incredibly ordinary for companies, especially ones of your size, to do that in the leverage loan market here and it would certainly be most appreciated especially given that the bumps in the road that we've got. So I just leave it with that and thanks for the time.

Chris Kennedy: Thank you.

Earl Dowling: And if I may interject for a second, operator. I think we've got time for two more questions please.

Operator: Perfect. And the next question comes from David Rogers of Apollo Global Management. You may now ask your question.

David Rogers: Thank you. Just wanted to ask a follow-up to the $750 million of one-time integration costs. Could you provide any color on how much of those costs are falling [in] this year or how many have already been recognized?

Chris Kennedy: We have not given guidance on that yet, but the intention is to give an update when we come out with the interims in July. But again, the net debt guidance that we've given for the end of the year includes our estimates of one-time costs this year.

David Rogers: Okay, understood. Thank you.

Operator: The next question comes from Mike Latham of HIG Whitehorse. You may now ask your question.

Mike Latham: Gentlemen, thanks for holding the call. I just wanted a little bit more color on the salesforce turnover. Maybe on an absolute basis, just how should we think about the decline or I guess where we currently are from a normalized run rate kind of on a percentage basis and then kind of how long do you anticipate before you back at full capacity and then kind of how long you'd expect new reps to ramp to full quota?

Chris Kennedy: Yeah, so it's a great question. Again, we've done an awful lot of analysis on productivity of sales reps. Clearly, the best way to get firepower is to retain the guys who have been here awhile and are operating at full capacity. The intention is to rapidly reduce that attrition and pretty much as we sort of get into H2, we're getting that attrition down to more normal rates. And then on ramp up, we - - again, the outlook is built on a detailed plan looking at the tenure of reps and we've done a lookback and we've got all the stats. Roughly a salesperson after three months with us is operating on an average at 23 percent of full capacity and after six months is just the low 40s percent and then it ramps up over time, so we've built up a fairly detailed model on which the outlook guidance is based. So I hope that kind of answers the question.

Mike Latham: Sure. And one last follow-up is: What percentage of your licensed sales are - - if you just remind us what's sold into installed base versus what's going out and winning new logos? That'd kind of help us understand what we're looking at in terms of how much of license sales are lost versus how much are just simply delayed as you kind of restaff your salesforce?

Chris Kennedy: Yeah, I mean the overwhelming proportion of our sales is to the existing customer base. I think as I said earlier, our products are deeply embedded in our customers' infrastructure. Some of the growth products like big data, that's where we would be looking for new logos. But in general, it's selling into the accounts that we know and the execution issue is we haven't been visiting those accounts as often as we should be and we haven't been selling as much to them as we should've been and that's what we've got to go out and fix now.

Mike Latham: Great. That's helpful. Thanks a lot.

Chris Kennedy: Okay, so I think that's the end of the questions now. So just once again, thank you for dialing in. Thank you for taking the time. I'll just repeat what I said at the beginning, we have a strong balance sheet. We've got a good business model that's strongly cash generative and we got great liquidity and now as a management team, we're just going to get on and fix the root causes of this transitionary revenue decline. So thank you.

Operator: This call has concluded. Thank you for your participation.