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CORPORATE PARTICIPANTS

Elina Kukkonen

Senior Vice President-Communications & Brand, Alma Media Oyj

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Juha Nuutinen

Chief Financial Officer, Alma Media Oyj

Teemu Salmi

Manager-Investor Relations & Commucations, Alma Media Oyj

MANAGEMENT DISCUSSION SECTION

Elina Kukkonen

Senior Vice President-Communications & Brand, Alma Media Oyj

Good morning, ladies and gentlemen and welcome to this Interim Report Session of Alma Media's Fourth Quarter and Full Year 2021. My name is Elina Kukkonen, I'm responsible for the Communications and Brand of Alma. As usual, we begin the presentations with our CEO, Mr. Kai Telanne to give the outlook for the full year results and then followed by Mr. Juha Nuutinen, our CFO, about the financial position of Alma Media today and our updated long-term targets also announced this morning. Then, Mr. Telanne will return about the operating environment and the strategy and outlook going forward.

We have reserved plenty of time for questions and answers and today it's only online questions. So please use the online chat function for questions and our Manager of Investor Relations, Mr. Teemu Salmi, will pick up the questions. I think we are ready to start. And I would hand it over to Mr. Telanne. Once again, welcome on my behalf.

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Thank you, Elina. Good morning, everybody and welcome to this interim report presentation on my behalf as well. As Elina said, as usual, we start with the highlights, then I hand over to Juha for the financials. He will dig deeper into the details into the numbers. And then we continue with our outlook, as said.

It's great to stand here today while we had a fantastic year 2021 after a difficult but a good year 2020. We had amazingly good year. All the businesses performed well above our own expectations. While we started the year we had a very nice organic growth of 15% in the fourth quarter and 12.6% for the full year boosted by very nice acquisition of Nettix. And due to these achievements, our EBIT margin was almost 20% for the last quarter last year and more than 22% for the full year, all-time high profitability. Nice revenue growth of 20% from MEUR 230 to MEUR 275. And a nice growth of operating profit from MEUR 45 to MEUR 61.1. All businesses performed much better than planned and expected. Due to a good profitability and a nice cash flow, we were able to strengthen our balance sheet. We were able to de-leverage it from the second quarter and from the third quarter. Equity ratio by the end of the year went up from 29.4% to 34.7%. If or when this continues, we have a good position for further investments during coming years.

One of the key elements of course for the good performance was the digital business growth in all sectors. The best and the fastest growth came from Alma Career, which picked up faster and earlier than anticipated from the COVID-19 dive, MEUR 8.8 revenue growth on fourth quarter and adjusted operating profit growth of MEUR 4.5.

Very high profitability level, nice growth, and especially high invoicing rate at the moment, but as we can see all the businesses grew nicely. Operating profit developed better than anticipated. The Shared Services MEUR 1.4 costs as we have here, it came almost all from long-term incentive costs due to a good development of Alma Share during the recent years. We have, of course, more of these long-term incentives and they were here reported costs this time. This cost increase came from that almost entirely.

As said, very strong digital growth; both from advertising, subscriptions and digital services; this has been the strategy for us for quite a long time. We have been able to continue a good growth as you can see a nice jump from 2019 especially. We were on a high level and a high profitability and growth level. By the end of the year, 77% of our revenues coming from digital sources; so we are on a good side, on a winning side of the transformation from print to digital. There are still businesses inside Alma Talent to go on, but like for Consumer and Career, we are almost fully digital at the moment; very nice growth.

I will take a deeper dive into the business segment performance for the last quarter. Here, we have the drivers for the growth. I won't go deep into this, but to summarise: we are transforming the traditional Career business from the listed business to other businesses as well, as well as transforming the core business with new services.

Talent segment is, of course, concentrating on transforming the traditional business-to-business media to digital media, and to add on that different kind of digital information services for professionals and companies.

And the Consumer segment, we are concentrating more and more on marketplaces with the Nettix investment and different kind of digital services around this. Of course, Iltalehti, high reach is one of the key elements and the digital advertising on that site. And these are the elements that we count on and will continue to develop also in the future.

Alma Career, we had a very nice demand on the market, surprisingly good. We were a little bit surprised as well; how fast the recruiting business picked up after a difficult circumstance – a difficult start 2019 and the beginning of 2020 also; revenue growth of 57% during the fourth quarter and 31% for the full year. We have a very strong increase in our customer invoicing which guarantees also a nice start for this year inside the Alma Career segment. We have a very good speed at the moment in this segment also. Adjusted operating profit more than doubled during the last part of the year and 46% increase in EBIT for the full year 2021; well above our own plans and expectations.

The main growth came from the core job board listing business, but to add on that we have a nice growth of added-value services like Seduo and other services around the core business. This is, of course, part of the strategy that we are running. As said, very important part of this good growth is on work but then the basic economic recovery in all markets has been one of the key elements. As you can see from the right side of this slide, all the countries have been growing nicely. The biggest one is of course Czech Republic, almost 50% revenue growth, but as you can see like from Croatia, 91% growth. Croatia which is heavily dependent on travelling and tourism is doing pretty well. On a high profitability level, nice growth, which is going to continue; really happy with this development.

We are investing into the new services on Alma Career level, in a Career United program. It's like a team play initiative in order to increase the speed of product development we are going to share more technology together and increase the profitability and the growth of this segment. It's doing and running positively nicely at the moment; very good end result and nice start for the year as well.

And when I'm talking about the nice start of the year, it comes from the good invoicing level of the Career, as you can see from the grey line here which is above revenue line which means that due to the revenue recognition of our Career business, this will end up to a good revenue development during the first half of the year. It's a really good situation.

Then I go forward to Alma Consumer where we have done the biggest investment in our history, Netflix investment last year. It's integrated into the segment. It's been a smooth transition and integration. A good setup for this year as well. Nice revenue growth during the last part of the year, and for the full year as well, 35% growth of revenues. Of course, most part of the revenue growth came from the Nettix acquisition, but a very nice organic growth based on good advertising sales, especially on the digital arena.

As you can see from here; 18% advertising growth during the last quarter and 26% during the whole year. And this means that Alma Media has also gained market share in Finland during inside the Consumer segment and inside the Finland among the Finnish peers. I'm really happy that we have been able to gain paying subscribers for Iltalehti digital media which is called Iltalehti Plus; very nice growth in this, a new initiative. And due to this good development of Iltalehti Plus, we've been able to mitigate the natural decline of single copy sales of Iltalehti. The market is still declining on the print side.

We had also very nice growth on other services like mobility services, housing services and comparison services. So, the housing market has been stable and nicely growing during the year. We have been able to defend our market-leading position on a high profitability level; really nicely done. And on mobility side as well, used car market has been really good. There have been difficulties in the new car sales as we all know, but as you can see, very nice growth on a high profitability level as well. Very good operating margin and the revenues nicely up from last year.

And finally to Alma Talent, the business-to-business media and services side; very solid quarter. We had a very, very demanding comparables. In 2020 last quarter was really good also for Talent, but still well above our own expectations; the full year development, especially nice revenue growth, very nice profitability growth for the full year. Digital advertising has been growing more than expected, even a very positive development on service side 15% growth, as you might remember. The DIAS acquisition that we made has been running smoothly and well. It is and will be really, really good for us for the coming years as well. Recurring revenue is one of the key targets that we are aiming at, at this segment. The share of recurring revenue was 64% during the last quarter and more than 70% during the full year; very nice growth of those. Digital subscriptions, digital services, those are the main elements for this target. Happy with all the segments that we have.

Now, I will hand over to Juha Nuutinen, our CFO. He will go more deeply into the financials and the numbers and the balance sheet as well.

Juha Nuutinen

Chief Financial Officer, Alma Media Oyj

Good morning and thanks, Kai. Financial position; a couple of words about our solvency and balance sheet issues today, but also a few words of our updated long-term financial target. We released a new press release today concerning those and let's go detailed about the change, what we made.

The first is the balance sheet and the net debt level. We have managed to decrease our net debt level; around MEUR 20 each quarter and because of our good cash flow. Our equity ratio is at the moment around 35% and it will approximately go to, at the end of this year, around 40%, 41%, but in spring because of dividends in the first quarter, it goes around 30% and then it increased to 40% towards the year end. And the net debt where it comes from, it's mostly coming from the term loan – three years term loan, MEUR 200 and we will made the first payment of this loan back in March, MEUR15. We will gradually decrease the actual loan amount as well. So, as Kai said, we'll be stronger and stronger in each quarter. It's good and we will have very healthy situation during this year.

And then the cash flow; we had really strong cash flow during the last quarter, but also during the second half last year. This MEUR 24 in the last quarter was one of the strongest cash flow what we have had. And this comes – one reason being our good result and an increased result, but also like Kai said earlier, we had – especially in recruitment, pretty good invoicing quarter and it means that we have quite a lot advance payments from the customers as well and that explains also the strong cash flow. So, it means that in this year, the increase in cash flow might be slightly lower than the increase in the profit. It's because of these advance payments this year. The CapEx, we have MEUR 3. There was no acquisition in this last quarter and this EURM 3 comes – one-half of this comes from the investments in our platforms and the other half, MEUR 1.5, comes from several renewals of our rental agreements in our smaller facilities. So totally, that CapEx level is MEUR 6 and we have said that there will be around MEUR 4 to MEUR 5 investments or CapEx on a yearly basis and that comes especially from the marketplace platform investments.

So that's the cash flow; and then the earnings per share. This €0.53 is one of our highest earnings per share figures ever concerning the continuing operations. Last year, of course, there was a capital gain of regional media and the effect was €0.80 of that; but €0.53 is from continuing operations. It's the highest level ever. You can also see the cash flow, the operating cash flow. It's €0.92 and that's also the highest level that we have had. And the dividend, what is now suggested to Annual General Meeting is €0.35 and it's €0.05 higher than last year. It might be higher as well because we have stronger earnings per share, but because of our balance sheet it's now only €0.05 increase this time, but if this continues to following years, we have room to increase this dividend from that level as well. Our return on equity was 24% which is a good ratio; and also the return on investments was 14%. That's also pretty good number if you are taking account the huge investments what we have made, nearly MEUR 300.

And then the long-term financial targets, we changed the adjusted operating margin target today and we increased it from the 20% to 25%, and the other targets, they remained as they were. So, the revenue growth target is 5%. And naturally, last year, because of this heavy recovery in recruitment sector, but also because of Nettix acquisition, the revenue growth was much higher than this 5%, and also in the first quarter of this year, the revenue growth will be also much, much stronger than the 5% because of this acquisition Nettix is affecting there in the first quarter still, but then after that in the long run, this 5% is good target level.

And then, the operating margin. This 20%, when we are looking that back, was quite modest target, we admit it, but this recruitment recovery last year was something that we didn't expect to happen so fast. We expected that the recovery will happen sometime in two years, three years' period of time but it happened within six months to nine months. So, that was much faster than we expected. And that was the reason why our operating margin increased also much more faster than we expected, but then the other reason is that in our portfolio, there is more and more marketplace type of business which have higher operating margin than previously and that makes also the case different now and those are the two main reasons why we increased our target to 25%. We see those long-term financial targets, a period of three years. So, our goal is to have this 25% within the next three years.

And then, we'll keep solvency targeting as it is. So net debt to EBITDA ratio should be lower than 2.5, and actually we are at lower level than the target is. We are at 2.3 at the moment. So that's the long-term financial targets. And this 24% – 25% is pretty tough target, I think, but we have good possibilities to achieve that in a couple of years now.

Thank you. And then we have some comments of operating environment and strategy. Please, Kai, continue.

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

CFO is always a bit careful and modest with the targets - I'm pretty confident with this profitability target. We have a very good plan and I'm really confident that it doesn't take three years to achieve the target. We'll be there sooner, and that's based on a very good start of the year, of course, and a very good plan that we have, but of course all our achievements are also dependent on the underlying economies and operating environment.

If you have a look at the latest forecast of European Commission, it looks like this - with the economies growing between 3% to 8% or 9% in our markets, this is pretty good environment for our purposes. In this kind of environment, we can do quite the nice marketplaces business, really good digital service business and media and advertising business as well in Finland. Hopefully, it stays like this.

We do have inflation going on a little bit faster than expected. Interest rates are rising; and so many, many things are moving, but at the moment the big picture is this and this is view in our eyes; we don't see needs to change our plans and strategy at the moment. We can continue with the good spirit as is.

Finnish advertising market has picked up also in Finland during last year. Of course, we know that the print advertising is still at the low level; that's usual and we have used to that. Our dependency on the print business is lower and lower all the time.

On the Consumer segment, as we know it is over 90% of our digital advertising share at the moment. We have a very low share around that and then on Talent sector, it's a little bit bigger. We have gained market share. It's based on a good performance of our Alma Media services which is the corporate level advertising sale organisation, and the good development also in the marketplaces where we have a good development of the display and programmatic advertising on all lines. As you can see 35% is our market share last year among the Finnish peers and it has been our target, of course, to increase the share.

How do we then continue? As said, after a very good year and a good performance, we are confident with the current strategy. So, there is no need to change the strategy. We are continuing transforming the core, and with the core we mean the media business, the print business to digital and services and also the marketplaces business from the current one to more transformational one. As we have a strong initiative in Finland, we will go to classified listing businesses to transformational businesses where we get the bigger share of the transactional-based businesses. We take a bigger share of the revenues of the transactions with our own services in the future. We have investments there as we did by the end of the year and are doing at the moment. This transformation is really, really interesting on our side. We will grow in digital services especially like in the Talent segment, we have a very good track there – a good journey with the DS and other services as well. And we will diversify our marketplaces also to new digital services. And of course, we will continue with the international expansion to new areas and new services in the current areas. That's one of the key elements of our internationalisation and we have a lot of possibilities there.

As said, we had a nice year for the Nettix acquisition and integration. It's gone smoothly, performing as expected and growing. We bought also Netello. That integration has been good as well. We will see the results later.

We have achieved important milestones in the digital business at Alma Talent. 55% of the revenues from digital and that will continue. And hand-in-hand with the transformation from print to digital, the profitability level is going up also as well.

About this Career United initiative that we have - we will be more effective, more profitable in the future, sharing more services, the technology, product development and so on. We aim higher also on profitability side on our Alma Career sector.

Very nice track so far and that will continue. We have had a good start for the year. Our outlook for this year is that we will go further. We expect our revenues to grow and profitability to grow from last year's all-time high level. Of course, we have to have a COVID-19 disclaimer, but to be honest we are not waiting the situation to get worse. We are coming back more like to new normal in the company. We have been safe and healthy so far. We haven't had any casualties. We've been doing pretty well all the time. And at the moment, we are getting back to the offices. We will continue with the multi-local working mode and we have a good possibility for that, but most of the employees want to come back to the office and continue with the cooperation with colleagues. And that's our aim also for the beginning of this year.

Thank you very much. This was our part of the interim report. If you have any kind of questions, we are more than happy to answer those. So, please, any questions?

QUESTION AND ANSWER SECTION

Teemu Salmi

Manager-Investor Relations & Commucations, Alma Media Oyj

Yes, we have both comments and questions from online.

The first question is from Sami Sarkamies, Nordea Markets, concerning the long-term targets. And I'd say we covered that fairly well, but if we want to clarify or add something, let me just paraphrase that question to you:

You did upgrade EBIT margin target about 25% for 2020 even though the previous target was announced not too long time ago in September. What has changed thinking of your outlook?

Kai Telanne

Much fast recovery especially on the recruitment market and advertising than we expected is the key element. So, the recovery from the COVID-19 situation has been much faster than we expected. As we said, we expected to bounce back in two or three years, but it didn't take more than six months to nine months. So, we were well above our own expectations with the revenues and with the profitability.

Secondly, our portfolio has changed during or with this marketplaces development and with high profitability. Our portfolio balance and the share of high profitability business has increased compared to the lower profitability like print media business. And this balance change in the portfolio will end up to higher profitability and the better possibilities to reach higher profitability also in the future. And we will have these initiatives also which will lead us to a change in the portfolio so in the future. And that will make this kind of new revised target setting clear and necessary. We are really confident. We have a very good plan also to reach the target for the future.

Teemu Salmi

When do you think you might realistically reach the target?

Kai Telanne

As Juha said, this target is set for three years. I'm more positive on that. That's of course the role of a CEO, but we have a very good plan. So, I expect that to happen even earlier.

Teemu Salmi

Great. Sami's second question was about advertising media. “How do you expect advertising media market to develop in Finland during early 2022? Are you seeing any signs of slowdown in trading conditions?”

Kai Telanne

There's a lot of fluctuation in the advertising sector due to the overall mood and the situation globally, I mean, like what we have in Ukraine and the interest rates and etc. That will have its effects, but we have high targets. We aim and expect our advertising to grow more than the market, and we have – I think expectations are close to double-digit growth than closer to zero growth.

Teemu Salmi

Third question from Sami was adjusted EBIT margin rose to 22.2% from 19.7% in 2021. Do you expect margin progression also in 2022 towards your long-term target?

Kai Telanne

Yes we do.

Teemu Salmi

And his final question, when we think about operating leverage in 2022? Is Q4 or full year 2021 a more relevant benchmark?

Kai Telanne

I don't have the exact figures in my head, but Juha might answer that. If I remember correctly, our net debt will decrease around €20 million per quarter with this cash flow and profitability that we have. We do have that. Is that close enough, Juha?

Juha Nuutinen

Chief Financial Officer, Alma Media Oyj A

That's true. But it was the question about the operative figure or was it?

Teemu Salmi

The operating leverage in the full year; Q4 or full year 2021 a more relevant benchmark.

Juha Nuutinen

If I understand it correctly, it's a question also about the profit side and on the EBIT side. So, the first quarter of this year – last year, first quarter was we were living in a COVID situation then and we will have strong increase in revenue in the first quarter compared to last year, but then it goes much even when it goes to the second quarter. But the first quarter will be strong increase in revenue and profit.

Kai Telanne

As we know, we have Nettix in our figures, have had since the April last year. It lacks from the figures during the first quarter of this year. Of course, with that increase, the revenues and the profitability will be different from the last year. And the second thing is that our carrier revenues and invoicing has been really high by the end of the last year and that will continue during the first half, of course, and hopefully for the last part of this year as well. So, the first quarter will be different of course from the last year's comparables.

Teemu Salmi

Great. Moving on .. this is a shorter one from Turo Kiiski, an analyst from 3J: “Update on the Iltalehti Plus subscription numbers and how the business is going?”

Kai Telanne

It's moving nicely. We have not yet disclosed the exact numbers. But well above our expectations. I could say that we have been able to mitigate the decline of the print subscriptions by the increase of the digital subscription of Iltalehti Plus. That's what we want to say. And that's been our goal of course. From now on, we will go further and we have a very good plan and development there as well.

Teemu Salmi

Then Petri Gostowski from Inderes and this is a direct quote: “We saw broad cost increases on Q4. You mentioned personnel expenses to be a main driver in Career. Have you added personnel here and what is the impact and level of wage inflation?”

Kai Telanne
I'll start from the last part. The wage inflation is running on the tech side. The resources or the tech developing, especially on the software developing, there's salary inflation going on. Nowhere else. This kind of normal inflation which has been also planned, sure. No worries with that.
The cost on our side comes to the investments that the new initiatives like we have new services and those one. And of course, on the Career side, we have revenue dependent and based cost, moving cost. When the revenues are growing, the costs are growing. They're somewhat more or less sales costs; moving sales costs. And of course if there's the growing market and demand, we want to increase a little bit more of the push and the sales and the costs in order to get the sales that we want, the market share that we want. With a profitability margin of close to 50%, it's of course a clever thing to do. The Career costs are coming from the sales cost, software development and some new initiatives on the product development side. Otherwise, the cost increase is coming from investments into the software. We are transforming our marketplaces business from traditional listing business to transactional businesses and that's where we are putting effort and money at the moment. On a group level that applies also to Alma Talent where we have a digital service initiatives like the DIAS and other services, so we are investing into those in order to get the results later with these businesses. They are running as expected and smoothly. All the business increases are planned, no unexpected or extraordinary costs; except, the group cost increase of EUR 1.4 which came from long-term incentives. Of course, with the good profitability development and a good share price increase from 2015, the long-term incentives will be paid and they are there. They were not in our plans before, but only after the good results, so that will be the difference.

Teemu Salmi
And also from Petri Gostowski: “Nettix revenue and EBITDA seem to have decreased lightly in 2021 compared to 2020. Can you talk about the drivers behind the development?”

Kai Telanne
Those are the cost increases are those planned investments, so we are developing the software and the platform as we have said. We are increasing at the moment the development cost to renew the platform of the whole. We are investing on our software system business by investing and renewing the platform of Nettix from traditional to more transaction business like. And those investments will blow over from now on, but that will bring the new revenues in the near future also, so that will be a good investment, of course. The basic profitability level of the business is not decreasing. We will stay on a high margin level and even higher with the transactional model.

Teemu Salmi
Yet another one from Petri concerning the Nettix - do you expect to fully reach the targeted €1.5 million synergies this year?

Kai Telanne
Yes. That will happen.

Teemu Salmi
Also from Petri .. “Associated company supported your results slightly again in Q4. Is all of this stemming from Bolt.Works again on how has the profitability of Bolt developed. Should we expect Bolt's contribution to your earnings to be on an increasing track this year?”

Juha Nuutinen
That's true that it's mostly coming from Bolt associated companies. Bolt is making the increase in that sense. Bolt had a pretty good and strong second half last year. And that's why it's also seen in our results as well. I think Bolt is in a good speed and we expect it that it will continue with the growth path as it had last year. So, I think the company is in good fit at the moment.

Kai Telanne
The revenues of Bolt has increased more than expected.

Teemu Salmi
Moving on. This is about Seduo: “Could you open a little bit more about your long-term plans and current situation with Seduo?”

Kai Telanne
It's an important part of the add-on service development of Career. The big picture is that we aim at leveraging the business in new geographical areas. We are strong in Czech Republic. We have been doing quite well in Slovakia. We have had the slow start in Finland but we have possibilities to go abroad. So, that is the plan. We are investigating the new areas at the moment and we have a good setup for that and the organisation is in place.

Teemu Salmi
And follow up on the same topic was: “is Seduo numbers reported under marketplace numbers or service numbers in the Alma Career segment reporting?”

Kai Telanne
Seduo numbers are service numbers, but inside Alma Career - they are like marketplaces and service business there.

Teemu Salmi
A question from an analyst from SEB, Maria Wickstrom: “Finnish advertising revenue is still below 2019 levels. What is your view on the ongoing recovery if we should be again above 2019 levels in this year? How do you see ad revenues developing across segments especially in print?”

Kai Telanne
Print advertising will be in difficulties. There's a transformation going on. The advertisers are moving more to the digital. That's the expectation. We will wait for the Finnish market to recover during this year. Hopefully, it happens. It depends very much on the overall situation. There are, of course, differences between different segments. For us, for example, we have had to develop in many sectors and of course in the digital side. As we know, the new car market has been difficult during last year. So we wait for that to increase. Hopefully, it happens. And of course, some other segments which are suffered from the pandemic. Also for the first half of the year, they will be in difficulties, but mostly our most important segments will be doing quite well and there're a lot of expectations for them to grow. So, our expectation is that we will have quite a good market this year.

Teemu Salmi
Shifting gears now to Pia Rosqvist-Heinsalmi from Carnegie asking about the M&A. And the specific question is, can you describe your M&A pipeline. Were there any substantial challenges in the market in 2021 that have impacted your plans?

Kai Telanne
Not really. We have of course a pipeline, but with this balance sheet, we can't do any big moves yet. We have to digest the investments that we have done. As Juha said, we have spent almost MEUR 300 during last year or two. And before we have a healthier balance sheet, we cannot move or do this kind of big moves, but we have this kind of resources MEUR 30 - 40 for smaller moves. And we have many, many possibilities and a good pipeline. We will have a closer look at the possibilities. There are other kind of possibilities to move if needed, but I would say that we will likely wait for a year or two before we can do bigger moves with these resources. Of course, if we have a very good target in sight we can go to the stock market then and should have resources for those, but I'm talking about the current balance sheet.

Teemu Salmi
We don't have any more questions but we do have one more comment.
And this comment is from Raimo Mäkelä and it says, “Good job. Congratulations.”

Kai Telanne
Thank you, Raimo! Raimo was the former director of the marketplaces and he knows very well the business, so thanks a lot. Encouraging comment.

Thank you very much. If we don't have any questions or comments, we will end the presentation here. We will see next time in our first quarter result presentation. You can call us and contact any day. Thank you very much. Have a good rest of the week and as always, stay safe and healthy. Thank you very much.