[DDL] Dingdong (Cayman) Limited
Q2 2021 Earnings Conference Call
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Executives:

Changlin Liang, Founder and Chief Executive Officer
Le Yu, Chief Strategy Officer
Karen Ji, Investor Relations Vice President

Analysts:
Eddy Wang, Morgan Stanley
Joyce Ju, Bank of America
Ashley Xu, Credit Suisse

Presentation

Operator: Good morning and good evening, ladies and gentlemen. Thank you for standing by and welcome to the Dingdong (Cayman) Ltd. Second Quarter 2021 Earnings Conference Call. At this time, all participants are in a listen-only mode. We will be hosting a question-and-answer session after management's prepared remarks. Please note this event is being recorded.

I'd now like to turn the conference over to the first speaker today, Karen Ji, Investor Relations Vice President of the Company. Please go ahead, Ma’am.

Karen Ji: Thank you. Hello, everyone, and welcome to Dingdong’s second quarter 2021 earnings call. With us today are Mr. Changlin Liang, our founder and CEO, and Ms. Le Yu, our CSO.

You can refer to our second quarter 2021 financial results on our IR website at ir.100.me. You can also access a replay of this call when it becomes available a few hours after its conclusion on our IR website.

Before we start, please note that this call may contain forward-looking statements made pursuant to the Safe Harbor provision for the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and observations that involve known and unknown risks, uncertainties, and other factors not under the Company's control, which may cause actual results, performance, or achievements of the

Company to be materially different from the results, performance, or expectations implied by these forward- looking statements.

All forward-looking statements are expressly qualified in their entirety by the cautionary statement, risk factors, and details of the Company's filings with the SEC. The Company undertakes no duty to revise or update any forward-looking statements for selected events or circumstances after the date of this conference call.

I will now turn the call to our first speaker today, Founder and CEO of Dingdong, Mr. Liang.

Changlin Liang: (Speaking foreign language).

(Translated). Good morning and good evening, everyone. Thank you for joining us today on Dingdong's second quarter 2021 earnings conference call. This is our first earnings call since our IPO. Dingdong is the fastest-growing company serving the on-demand consumer needs of China's retail industry and an industry leader after just 4 years of operating history. We extend our warmest gratitude to all the investors and analysts, and thank you for your interest and support.

We are delighted to report that our GMV in the second quarter of 2021 increased by 80.8% year-over-year to RMB5.38 billion. Geographically speaking, we achieved 49.8% year-over-year growth in our GMV from our most mature markets in the Yangtze Delta region. Growth was mainly driven by growth in our consumer base and a significant increase in purchase frequency by our existing users on our platform.

During the second quarter, the number of average monthly transacting users grew 39.1% to 8.4 million. Members of our Dingdong membership program placed an average of 7.3 orders per month, compared to 6.7 orders per month in the first quarter this year.

During the second quarter, we proactively adjusted our pricing strategies for certain products to enhance user stickiness, achieving great results.

Meanwhile, we launched a drip marketing system to refine the management of marketing expenses, and increased our marketing investment to more effectively target high-quality users and cities with high ROI to invest our marketing resources in truly valuable users. Going forward, we will continue to upgrade and optimize this system to further improve our marketing efficiency.

Moreover, we continued to expand into new geographic regions and markets at a rapid pace. Following Shanghai, Shenzhen, Suzhou, Hangzhou, and Beijing, Guangzhou became the sixth city exceeding and maintaining a monthly GMV of more than RMB100 million. In addition, growth rates in average daily orders per frontline fulfillment station was more rapid in third-tier and fourth-tier cities, outpacing growth rates in first-and second-tier cities such as Shanghai, Hangzhou, and Suzhou. We can clearly see increasing acceptance and recognition of our on-demand home delivery business model in lower-tier cities.

As this is our first earnings call since our IPO, I'd like to take this opportunity to introduce the underlying logic and rationale of Dingdong's business model. China's fresh groceries and daily necessities consumption has experienced substantial growth in recent years, as the market size reached over RMB10 trillion in 2020 according to the China Insights Consultancy.

However, the traditional and offline retail models, which currently occupy the majority of the industry's market share, have numerous pain points, which lead to low efficiency on the supply side and inability to meet evolving consumer preferences on the demand side. Meanwhile, China's consumption upgrade is a major trend and a key driver of growth and expansion of the industry. These evolving user demands inevitably promote the rapid development of innovative business models.

As such, we developed a frontline fulfillment grid model to effectively achieve rapid delivery of quality fresh groceries and daily necessities. Each of our self-operated frontline fulfillment stations directly serves the modern households in their nearest respective neighborhoods, providing consumers with immediate delivery of more cost-effective fresh groceries, daily necessities, and services beyond their expectations.

Leveraging our upgraded business model through the combination of Costco's model with on-demand delivery within 29 minutes, we aim to build a highly integrated, on-demand e-commerce infrastructure spanning procurement, fulfillment, and delivery that is as readily available to every household as running water.

We expect that Dingdong will be the fifth infrastructure, next to water, electricity, gas, and internet, in the lives of future households. We are dedicated to making fresh groceries and daily necessities on the Dingdong platform as readily available as running water for every household. Time is one of the greatest factors that can change the world. Dingdong has reduced delivery times from an average of 1 to 3 days in the past to just half an hour today.

With the rapid development of the social infrastructure built by Dingdong, we believe we are on our way to becoming a leading consumer company in the new era. The construction of social infrastructure has great social value, but also comes with high barriers to overcome. Though it will be difficult and take a great amount of time, it is the honorable thing to do. In order to achieve this goal, Dingdong is making great efforts to further upgrade our capabilities in the following 3 aspects.

First and foremost, we will further enhance our supply chain capabilities in the planting, breeding, processing, and production processes. As we all know, traditional fresh grocery supply chains are redundant and inefficient. For upstream planting and breeding, we proactively participate in the process and leverage our proprietary D-GAP, a set of good agricultural practices for production safety and sustainability, and our agricultural technology to upgrade the supply side. This effectively allows us to resolve challenges in terms of market access, demand projection, price volatility, and digitalization of traditional models.

Moreover, this helps ensure the stability of the supply, price, and quality of our products, which is in line with China's strategy of Rural Revitalization.

We will participate in production and processing in various ways. For example, we plan to maximize the use of advanced equipment to build our own production lines, while increasing production efficiency and quality to improve gross margin. For high-gross margin product categories that are easily scalable, we will continue to utilize our in-depth consumer insights and data analytics to develop private label brands. For example, our private label brand, Boxing Crayfish, has generated a GMV of more than RMB80 million in just over 2 months after its launch. Our private label products not only enhance user loyalty, but also improve our gross margin and average order value.

The pre-coupon gross margin of Boxing Crayfish was 33.8%, higher than our overall pre-coupon gross margin. The average order value for orders including Boxing Crayfish reached RMB98.9, 73.9% higher than the average order value of total orders.

Our private label brands will achieve rapid growth in the future. By continuously improving our product offerings, we are able to meet the ever-changing needs of consumers and create greater commercial value.

Second, we will continue to strengthen our technical capabilities in our supply chain system, the automation of regional processing centers and frontline fulfillment stations, and our data algorithm. We will further optimize our industry-leading supply chain system and utilize data to improve the efficiency of our supply chain and operations. We are currently implementing more automation equipment at our regional processing centers and frontline fulfillment stations. And we will also introduce Artificial Intelligence technologies to further improve decision-making processes and order fulfillment efficiency.

Meanwhile, we will continue optimizing our algorithm capabilities to enhance our projections and recommendations. Improvements in these technical capabilities will further enhance our efficiency, reduce operating costs, and enable us to better serve our customers. Technology-empowered operations create significant value in all aspects of our business, and are a fundamental driving force for Dingdong to stand out in the industry.

Third, we will continue to expand our geographic coverage and improve our unit economics.

In terms of geographic coverage, we have expanded to 36 cities in 4 metropolitan regions. There are 19 major metropolitan regions in China, which account for 60% of China's total consumption. We expect to expand our operations to all 19 metropolitan regions in the future. We view geographic expansion as a major growth opportunity, and we will continue to improve our operational capabilities at the same time.

Meanwhile, we will work harder to strengthen our operational and management capabilities to achieve self-sufficient capacity. We will continue to increase our user penetration rate and user wallet share through constant improvements in our product and service offerings. As a result, average daily orders and transaction amount per frontline fulfillment station, order density, and the efficiency of our frontline fulfillment stations will continue to increase. Our unit economics will keep improving accordingly.

Going forward, we will also continue to improve our technology and management capabilities to optimize our supply chain and operational efficiency, while maintaining sustainable growth. We aim to become profitable in our mature markets first, then scale our profit goals to more markets across the nation.

Dingdong by nature is a supply chain company that is deeply involved in planting, breeding, processing, and production processes as to capitalize on the growth potential of China's consumption upgrade. There is significant room to grow in the enormous household consumption market, and there is no monopoly involved. We simply strive to provide better products and services at reasonable prices and be a part of increasing people's happiness. Moreover, our goals are in line with the domestic development trend of Dual Circulation and Improving the Real Economy.

To conclude, we will stick to our customer-centric approach and keep taking the difficult but just path. Following the development trend, we are confident that we will realize our long-term value and create long-term value for our investors.

Thank you. Thank you, everyone. With that, I will hand the call over to Ms. Yu, our CSO, to go over the financials.

Le Yu: Thank you, Mr. Liang, and hello, everyone. Before I walk you through our detailed financial results, please note that all numbers stated in the following remarks are in RMB terms, and all comparisons and percentage changes are on a year-over-year basis unless otherwise noted.

Our total revenue reached RMB4.65 billion, representing a tremendous 77.9% year-over-year increase. In the second quarter last year, consumer purchasing patterns shifted from offline to online channels as a result of the pandemic, which drove our revenue up significantly. While the pandemic had a limited impact on our business in the second quarter this year, we still maintained our strong year-over-year growth momentum.

During the quarter, we expanded into 7 new cities, including Xiamen and Chongqing, where we have seen strong growth momentum. For example, we launched in Xiamen at the end of May, and have already achieved average daily orders per frontline fulfillment station exceeding 1,300 in July, which demonstrated the strong demand in the second-and third-tier cities. Having said that, our 29 existing markets continued to be the primary driver of our revenue growth during the quarter.

As of June 30, 2021, we had expanded our coverage to 36 cities. In only 6 of these cities, we have completed comprehensive coverage of all urban areas. Going forward, in addition to geographic expansion in new markets, we will continue to enhance our coverage and penetration rate in existing markets. We believe there is still tremendous growth potential in our existing markets.

In terms of profitability, our gross profit margin decreased on a year-over-year basis. As Mr. Liang mentioned earlier, during the quarter, we proactively adjusted pricing strategies to improve customer purchase frequency and customer retention and achieved great results. Driven by the continued optimization of our supply chain, development in our private label products, and improvements in ROI of marketing expenses through our new drip marketing system for which we have witnessed initial success in the third quarter, our gross margin is expected to improve, while our rapid growth trajectory continues its momentum in the next quarter.

Fulfillment expenses in the quarter were RMB1.69 billion. As a percentage of total revenues, fulfillment expenses improved to 36.5% from 39% in the first quarter of this year. Meanwhile, average fulfillment costs per order decreased significantly from RMB20.6 in the second quarter last year to RMB17.9.

Increasing order density is an important driving force for improving our order fulfillment efficiency, and the average daily orders per frontline fulfillment station is an important indicator of overall order density.

During the second quarter, we opened 147 frontline fulfillment stations in new and existing cities, reaching 1,136 total frontline fulfillment stations as of the end of this quarter. Although opening new stations may negatively affect the overall average daily orders per frontline fulfillment stations, the average daily orders per frontline fulfillment stations in the second quarter still increased by more than 20% to around 1,000 orders.

Due to the pandemic, user acquisition in new markets was fairly limited in the second quarter of last year. As a result of our expansion into several new cities during the quarter, our new user count in the second quarter of 2021 was more than twice that of the same period last year. Accordingly, sales and marketing expenses, as a percentage of total revenues, increased year-over-year.

In the third quarter, we expect to maintain rapid year-over-year growth in new customer acquisitions, while decreasing our sales and marketing expenses, as a percentage of total revenues, on a quarter-over-quarter basis at the same time. We have already seen improvements in our user acquisition efficiency in July and August thus far.

Excluding share-based compensation expenses, our general and administration expenses, as a percentage of total revenues, decreased to 2.3% from 2.9% in the second quarter last year, driven by our growing economies of scale.

Technology and data create significant value in all aspects of our business. And we increased our spending on product development during the quarter. As a percentage of total revenues, product development expenses increased to 4.4% from 2.4% in the prior-year period. We believe investment in product development will continue to drive greater value generation for Dingdong in the near future.

Our non-GAAP net loss was RMB1.73 billion in the second quarter, while our non-GAAP net loss margin expanded slightly to 37.2% from 36.2% in the previous quarter. As we remain committed to cost reduction and operating efficiency improvement, we are confident that our net loss margin will keep improving in the third quarter and the fourth quarter of 2021.

Net cash outflow from operating activities was RMB1.62 billion in the second quarter. Considering supply chain finances, adjusted net cash outflow from operating activities improved to less than RMB1 billion. Our CapEx in the second quarter was RMB0.07 billion. Our cash, cash equivalents, restricted cash, and short-term investments totaled RMB7.29 billion as of June 30, 2021.

To sum up, we achieved robust growth in the second quarter in both new and existing markets. As overall user stickiness and purchase frequency continued to improve, transacting members of Dingdong membership program grew by 85% year-over-year, representing the strength and the loyalty of Dingdong's users.

For the third quarter, we expect to see a 100% year-over-year increase in total revenues, an improving gross margin, and a narrowing non-GAAP net loss margin. Non-GAAP net loss margin will be narrowed in the third quarter, and will be further narrowed in the fourth quarter. In Shanghai, where our business is more mature, we expect to see improved unit economics in both gross margin and fulfillment efficiency, and deliver a positive operating profit in terms of unit economics in the fourth quarter of this year.

This concludes our prepared remarks for today. Operator, we are now ready to take questions.

Questions and Answers

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions). When asking the question, please state your question in Chinese first, then repeat your question in English for the convenience of everyone in the call. (Operator Instructions).

Our first question comes from Eddy Wang from Morgan Stanley.

Eddy Wang: (Speaking foreign language). My question is about competition. We noted that in the second quarter, Dingdong actually recorded quite strong GMV growth. And we expected that in third quarter, the GMV -- the total revenue could also grow like over 100% year-over-year. However, on the other hand, we actually noticed the other online grocery format such as good buy purchase, actually experienced a little bit slowing down.

So how do you think the reason behind the gap of the growth between two business model, and how do you think the long-term competition between two models?

Changlin Liang: (Speaking foreign language).

(Translated). Thank you. Yes, thank you for your question; it's a great question. Actually, from a business model perspective, Dingdong offers customers on-demand home delivery service within 30 minutes. And also, our pricing is much more attractive than traditional supermarket. Community group buying models actually only deliver orders to certain collection points, usually in the morning, for the morning, during the next day, for consumers to do self-pickup. Community group buying models actually generally offer lower-quality products at a lower pricing level than Dingdong. Therefore, we actually have captured the tailwind of consumption upgrade, whereas community group buy captured the demands of consumers who are more price-sensitive.

In China's enormous consumer markets, there are great opportunities to capture for consumption upgrades and consumption downgrades. While PDD is growing really fast in lower-tier cities, JD.com has actually grown to a company serving over 400 million yearly practicing users with a deficient logistic infrastructure and quality goods. Dingdong has achieved rapid growth with our even more convenient services and deeper involvement in the supply chain than JD.com. Meanwhile, community group buying models also have huge opportunity and potential with even cheaper services than PDD, as we serve different types of consumers.

Compared to community group buying models, actually, we feature a lot of differences in terms of our merchandise selection, logistic infrastructure, our brandmindshare and also our company philosophy and culture. So if you look at today, and look at a short-term in the future, we are actually, as two companies, are targeting different addressable markets; and we target different consumer groups and different consumption scenarios, even though we do have overlapping markets.

Just as PDD does not occupy the core market and core consumers of JD.com, we believe community group buying models will not cannibalize the growth of Dingdong. If you look at this year, community group buying model actually achieved relatively stable growth, whereas Dingdong continues our rapid growth momentum.

In terms of geographic coverage, we only penetrate 36 cities, while almost every community group buying company actually has covered over 2,000 cities. So if you break it down, we actually have larger scale in cities that we enter, and we have more room to grow in the future.

Last but not least, I would also like to highlight that actually, community group buying models help us cultivate the market, and helps boost the online shopping habits of consumers in lower-tier cities. We have discovered that we actually grow faster in cities where community group buying models have better performance. We have validated this in first-tier and second-tier cities such as Guangzhou and Chengdu; and third-and-fourth-tier cities such as Dongguan and [Changzhou], etc. Thank you.

Eddy Wang: (Speaking foreign language).

Operator: Ashley Xu from Credit Suisse. Hello, Ashley, is your line muted? Hi, Ashley, is your line muted?

The next question comes from Joyce Ju from Bank of America.

Joyce Ju: (Speaking foreign language). Let me translate my question. My first question was related to the regulation. We have seen there are a series of policies recently being released regarding the fair trade, cyber-security and also the overseas listing of ADRs. Just want to check if the company have been in communication with the regulator in terms of these problems or like questions. And any feedback or like any guidance from the regulator side, which the management can share with us?

And the second question was related to our private label. We note the private label will be a key driver for the mid to long-term gross margin improvement. Just want to get more color in terms of our private label development plan. What's the current situation in terms of GMV contribution, revenue, gross margin and the cooperation model? And in the future, how this will evolve, and in the long-term, what's our target? Thanks a lot.

Changlin Liang: (Speaking foreign language).

(Translated). Thank you. Thank you for your questions. I know that these questions actually have drawn a lot of attention, so let me respond to them one-by-one. In regards to your first question, first of all, we'd like to express our full support for the regulatory changes. And we understand that all of the rationale behind these policies and regulation updates.Actually following the needs of time and development trends, we'll strive to do our part to increase people's well-being.

Also, from the consumer perspective, actually, China's fresh groceries and daily necessity market is very big. It's big enough with diversifying needs that allows multiple players. There's no potential, or very little potential, for a monopoly in this space. Our goal is to capitalize on the growth potential of China's consumption upgrades, which is in line with the domestic development trend of dual circulation in China.

And in terms of our business model, we are a 1P consumption company, which essentially is a new type of supply chain company, and this is part of the real economy generally supported by the Chinese government. Dingdong has been continuously increasing our investment in the agriculture industry. Through our proprietary D-gap and agriculture technology, actually we have enabled the upstream agriculture industry for a long time. And we are the advance collective in poverty alleviation, especially honored by the Shanghai government through 2018 to 2020. We are also a pioneer in the field of rural revitalization.

Now, in terms of data security, we've been actively and proactively communicating with the relevant regulators to ensure our data acquisition and data usage complies with the government requirements, and ensure data security for our consumers.

Now, in terms of flexible employment, the newly-issued laws and regulations in China require that companies should pay according to the standards for social insurance and housing funds for their employees. We have done so, fully complying with the national laws and regulations. We have also increased investment in solving employment problems, and we have trained talents in the field of rural revitalization, and we have achieved great results.

In regards to your second question -- thank you for your interest -- I'll try my best to answer it from two aspects. The first one is, as we discussed earlier, actually the gross margin and average order value for our private label products are both higher than the average level, which I'm not going to repeat here. We actually launched our private labels back in July 2020, and our GMV derived from the private label products account for 1.9% of total GMV back then from July to December 2020. In the second quarter this year, the GMV contribution from our private label products increased to 4.9%, and we expect it to further increase to 8% in the fourth quarter this year.

In the long run, it is actually easier to develop private label products for fresh groceries and food products compared to other categories. And we expect to achieve 30% of GMV contribution from our private label products.

Now, in terms of the operating model for private label products, we'll try our best to self-produce those products category in-house with higher sales volumes and barriers to entry in order to improve efficiency and capture the mark-up of processing and production processes. For some of the products that we outsource to third-party companies to processing, we'll take responsibility in research and development and product iteration. And we'll also send our staff, our own team, to the manufacturing site to strictly control the quality and to oversee various details to make sure that all food safety and quality leadership are prioritized. Thank you.

Operator: The next question comes from Ashley Xu from Credit Suisse, please go ahead.

Ashley Xu: (Speaking foreign language). There are two [questions] from me. First, I want to check about the reason of gross margin volatility and how is the outlook both in third quarter and in the long-term? And what would be the driver of improvement?

And my second question is for the second half of the year, what strategies would be implemented for both growth and efficiency optimization? Thank you.

Changlin Liang: (Speaking foreign language).

(Translated). Thank you for your question. I'd like to address your first question regarding gross margin first. So you asked about two fronts; one is the cause of its fluctuation, and also the drivers for future improvement. About the cause of fluctuation, first of all, the short-term gross margin changes was mainly due to three reasons. The first one is our geographic expansion into 7 new cities in this quarter, and the adoption of more competitive pricing in the new markets to attract new customers, which we have achieved great results with.

Now, the second reason is that during the second quarter, we proactively adjusted our pricing strategy to cultivate the users' consumption habits to allow them and encourage them, incentivize them to purchase across categories, which significantly increased our users' purchase frequency and GMV contribution. And it has resulted in long-term value for the company. Now, in second quarter, average monthly orders for transacting users increased by 10% quarter-over-quarter. And the members of our program actually placed an average of 7.3 orders per month compared to 6.7 orders per month in the previous quarter this year.

In addition to that, we have launched a drip marketing system in the second quarter to refine the management of our marketing expenses. During its learning stage, although the ROI of coupon was continuously improving, the coupon as a percentage of revenue, actually still increased to a certain extent. But the system, the marketing system, actually is evolving day-by-day, we significantly reduced our marketing expenses, as a result, while we're able to maintain a strong growth momentum in July and August. So we expect to achieve 100% year-over-year growth in our GMV in the third quarter.

Now, for the second half of this year, we expect our gross margin to improve significantly. On a quarter-over-quarter basis, the gross margin will improve from the third quarter compared to the second quarter, and even more in the fourth quarter of 2021. And there are mainly the following three drivers. Now, the first driver is essentially the gross margin derived from the markup throughout the traditional value chain. And in addition to that, actually for Dingdong's roadmap, we will be more and more involved in the processing and production processes in the upstream. And we will utilize the advance manufacturing equipment to improve production efficiency, so that we can further enhance the gross margin.

Now, the second driver is our proprietary D-gap and order-based farming, which will generate stable and higher gross margin for vegetables, fruit and seafood products on a yearly basis. We have been paving the way for a long time, and we believe that we can see significant results and outcome from a gross margin improvement in Q3 and Q4 this year, especially in Q4, where we will expect a gross margin improvement; and especially in the long run, which will be a great result and benefit from these initiatives.

Now, the third driver is that we will continue to optimize our product mix to improve the gross margin. The revenue contribution from the 3R foods, which are the ready-to-cook, ready-to-eat and ready-to-heat categories, increased by 5% year-over-year. And they will continue to increase in the future. Gross margin for 3R products is actually higher than our average gross margin by over 10 percentage points. And the average order value for orders, including those 3R products, is also 33.6% higher than average order value of total orders. We believe these new categories, the 3R categories, actually meet the demand of future consumption, especially for the younger generation.

So based on the above-mentioned, we expect that the non-GAAP loss margin will narrow by approximately 4 percentage points by the third quarter; unauditednon-GAAP net loss margin in July 2021 will narrow by 3.2 percentage points from that in the second quarter. We expect the non-GAAP loss margin to be further narrowed in the fourth quarter this year.

Now, in response to your second question, I would like to highlight, first of all, in terms of product capability, we'll continue to optimize our product offering to better serve the needs of young households. We are increasing our efforts to develop private label products to provide our customers with more unique and higher-quality products. Meanwhile, we'll continue to invest in the upstream agriculture industry to ensure better cost performance of our products.

We will also further increase user penetration rate and user purchase frequency. As of today, we have entered 36 cities, but only 6 of them are fully covered in all urban areas. So we'll continue to increase our coverage for urban areas in the existing geographic footprint. At the same time, we'll work hard to increase our order density and improve the purchase frequency and GMV contribution by the users in the existing markets through improvement of our product and service offering. Also, by increasing our user penetration and order density, we can further improve the efficiency of the frontline fulfillment team, and optimize the fulfillment expense ratio of our frontline fulfillment stations.

We actually have seen great results in July and August from the above-mentioned three aspects. And we believe that there will be further improvement in the future. Thank you so much.

Ashley Xu: (Speaking foreign language).

Operator: As there are no further questions at this time, I'd like to hand the conference back to our management for closing remarks.

Karen Ji: Thank you again for joining our call today. If you have any further questions, please feel free to contact us or request through our IR website. We look forward to speaking with everyone in our next earnings call. Have a good day. Thank you.

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