August 3, 2021

Armada Hoffler Properties, Inc. (AHH)

Q2 2021 Earnings Call

Operator
Welcome to Armada Hoffler's second quarter 2021 earnings conference call. At this time, all participants are in a listen-only mode. After management's prepared remarks, you'll be invited to participate in a question-and-answer session. At that time if you have a question, please press "star 1" on your telephone.

As a reminder, this conference call is being recorded today, Tuesday, August 3rd, 2021.

I will now turn the conference call over to Michael O'Hara, Chief Financial Officer at Armada Hoffler.

Please go ahead.

Mike O'Hara
Good morning and thank you for joining Armada Hoffler's second quarter 2021 earnings conference call and webcast. On the call this morning, in addition to myself, is Lou Haddad, CEO.

The press release announcing our second quarter earnings along with our quarterly supplemental package were distributed this morning. A replay of this call will be available shortly after the conclusion of the call through September 3rd, 2021. The numbers to access the replay are provided in the earnings press release. For those who listen to the rebroadcast of this presentation, we remind you that the remarks made herein are as of today, August 3rd, 2021 and will not be updated subsequent to this initial earnings call.

During this call, we will make forward-looking statements, including statements related to the future performance of our portfolio, our development pipeline, impact of acquisitions and dispositions, our mezzanine program, our construction business, our liquidity position, our portfolio performance, and financing activities as well as comments on our guidance and outlook.

Listeners are cautioned that these statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond our control, particularly in light of the COVID-19 pandemic and any related economic uncertainty. These risks and uncertainties can cause actual results to differ materially from our current expectations and we advise listeners to review the forward-looking statement disclosure in our press release that we distributed this morning and the risk factors disclosed in documents we have filed with, or furnished to, the SEC.

We will also discuss certain non-GAAP financial measures, including but not limited to FFO and Normalized FFO. Definitions of these non-GAAP measures, as well as reconciliations to the most comparable GAAP measures, are included in the quarterly supplemental package, which is available on our website at armadahoffler.com.

I'll now turn the call over to Lou.

Lou Haddad
Thanks Mike. And thank all of you for joining us today.

For the last few quarters, we relayed to you the strategy we've successfully employed to see us through this, the fifth major economic downturn in our corporate history. While I won't rehash the conservative aspects of that plan which saw us through the worst of the crisis, I do want to emphasize the part of our formula that is of the most interest to investors. The goal of outperforming our peers in the subsequent recovery.

This morning's announcement of a healthy increase in our guidance for the year is but the first of what we expect to be a number of positive announcements on the horizon.

Leasing activity across all sectors of our core portfolio is at the highest velocity we've seen in years, the development pipeline is well-stocked and proceeding rapidly, an ample supply of off-market acquisition opportunities have been uncovered, third-party construction engagements are shaping up to become high volume contracts later this year, and most importantly, we are in a strong liquidity position with access to additional capital sources from the potential disposition of non-core assets.

At some point, we would expect to see these near and long-term growth prospects to be reflected in our stock price, just as it was in the five-years leading up to the pandemic. For now, our team is happy to continue putting the building blocks in place to demonstrate superior, if not game-changing performance.

This morning we posted second quarter results of 29 cents of normalized FFO per share, which was ahead of our expectations. More importantly, as you see in our earnings release, we have raised full year guidance by 4 percent to $1.02 to $1.06. A close look at the components of our guidance reveals the increase is almost entirely due to an increase in our property NOI as all other components remain virtually unchanged. This forecasted NOI increase is mainly due to accelerated leasing in both retail and multi-family as well as the off-market acquisition of two high-volume retail centers this month.

Let's briefly discuss each component of our business model and the activity we're experiencing in each of them.

Apartment leasing and occupancy continue to trend upward at a rapid pace. Our 2,300 conventional multifamily units are 97% occupied. The cash same store NOI increase of 12% on these properties only begins to tell the story of the desirability of these assets and their locations. New leases signed in the 2nd quarter have an average rate increase of over 7%. With the continued migration to high-value properties in the sought-after markets of the mid-Atlantic, coupled with a shortage of housing, our expectation is for these trends to continue for some time.

Retail leasing tells a similar story with an additional 37,000 square feet leased since our last update. Included in that total are several new retailers that are on their way to our flagship asset, the Town Center of Virginia Beach. With occupancy approaching our traditional mid to high nineties percentage occupied and as the new tenants begin to pay rent, we expect the retail portfolio will eclipse pre-pandemic NOI levels sometime early next year. As we have said on numerous occasions, there is no substitute for well-located real estate regardless of the asset class. High volume retail centers are no exception to this rule.

As most of you know, our stabilized office portfolio is essentially fully leased with very little in the way of lease expirations this year and next. The only meaningful vacancy is at Wills Wharf, the office building we delivered at Baltimore's Harbor Point at the onset of the pandemic. Last quarter we reported that tenant activity was starting to accelerate as covid restrictions lifted. We announced two substantial leases with Transamerica and RBC. Currently, we are at-lease with another full floor credit tenant and have an abundance of prospects for the remaining space. In-fact we have more space proposed to potential tenants, than we have space available in the building. We expect to announce further leasing later this year.

Although the full impact on earnings of new office and retail leases as well as the rise in multifamily rents, won't be fully reflected until well into 2022, the trajectory of our core portfolio should be easily recognized.

The last factor contributing to our increased guidance is the off-market acquisition of two high-volume retail centers which we alluded to last quarter. These centers will have been acquired partially through the redeployment of capital from the early payoff of the Solis Interlock mezzanine loan, which included the full years interest income that was in our previous guidance.

The first, located in Asheville, North Carolina, is anchored by the number one TJ Maxx in the state, and the other in Chesapeake, Virginia is anchored by the number one Kroger in the state. Both are acquired on a negotiated basis and immediately accretive, while one contains value-add opportunities.

Since the fall of 2019 we have made clear the goal of balancing the percentage of our NOI that is derived from our various asset classes. Just as clear has been our commitment to expand the retail sector of our business both through development and acquisition of high-quality grocery and discount anchored centers. It is gratifying to see that investors are starting to recognize the value of these types of high-traffic retail assets.

That said, ultimately, the portion of NOI from retail will decrease relative to our other sectors due to the predominantly multi-family and office make-up of our development pipeline.

Speaking of development, the two multifamily projects currently underway remain on their scheduled budget and completion dates. The Gainesville project is scheduled to begin pre-leasing by the end of the year with delivery of the first units in the first quarter. Chronicle Mill is scheduled for delivery at this time next year. Based on the activity in those Atlanta and Charlotte satellite markets, we anticipate faster than normal lease-up at both of these assets. Together with the 2022 commencement of our new apartment development adjacent to the Regal cinema in Harrisonburg, Virginia, we will soon add nearly 700 units to our conventional multifamily portfolio, bringing the total count to over 3,000 units. We believe that this sector of our platform alone has a value of over a billion dollars. We also believe that investors will ultimately reap tremendous growth and value from this very significant portion of our diversified business model. We are seeing even more opportunities to develop additional assets in this sector.

This leads me to our 3 student housing facilities. As we have said on several occasions, we view these assets as non-core, and they will ultimately be used as a ready source of inexpensive capital to fund development and acquisition opportunities. Economic occupancy at these properties was significantly impacted during covid and thus we don't expect full re-stabilization to occur for at least another school year. That said, at today's cap rates, we may opt to transact sooner rather than later, as even at less than maximum value, this significant amount of capital may be better deployed elsewhere in light of the abundance of growth opportunities coming our way.

The balance of the announced development pipeline, the mixed-use Southern Post in Roswell, Georgia and the joint ventures at Harbor Point on the Baltimore waterfront continue on track to break ground around year end. In addition to the 450,000 square foot T. Rowe Price world headquarters, the program for the companion building is substantially settled. This building is expected to feature 300 apartments, 15,000 square feet of retail space and 1,300 parking spaces.

Though the pipeline is already robust, we continue to receive many new opportunities. The amount of activity in our markets, coupled with our 40-year track record, have yielded many more opportunities for high- value projects across our diversified platform. We will continue to evaluate these for selective inclusion in our next wave of development.

This brings me to our construction company. As most of you know, this division of our company had perhaps it's best year ever in 2020 with 7.7 million dollars in third-party gross profits. This year we have seen a lag in new construction starts as many of our clients delayed projects until later in the year; however, we still expect to end the year at the low end of our historical range.

With these anticipated projects commencing soon, the effect of the delays simply moved more work-in-place and therefore profits, into next year. This shift, coupled with new engagements that we expect to be solidified later in the year, will most probably see this division back to the high end of our normal range, if not beyond, in 2022.

On numerous occasions we have discussed that our mezzanine lending program will be gradually reduced to a principal amount of approximately 80 million dollars. We had anticipated that the two major projects in this program would have loans outstanding well into 2022, thereby reducing our ability to meaningfully resize the program until that time. We still project that the Interlock commercial loan will be outstanding for that duration; however, due to favorable market conditions and the rapid pace of unit absorption, our partners at Terwilliger Pappas decided to sell the Solis Interlock asset earlier than was previously contemplated. Our mezzanine loan was paid off in early June. The return of 33 million dollars of capital, inclusive of nearly 10 million dollars of stipulated minimum interest, enhanced our flexibility to take advantage of the shopping center acquisitions that I previously mentioned. These actions are totally consistent with our stated goal of using more of our capital to build a top-quality core portfolio.

As we demonstrated to you with our guidance presentation from last winter, 2021 is a year where our focus is to substantially increase NAV through our leasing initiatives, improved quality of earnings, exciting development starts, and resizing of the mezzanine program. In short, we anticipated that our activities over the course of 2021 would build a solid base for higher earnings and dividends over the next few years and ultimately lead to a significant expansion of our earnings multiple. We believe that we are well on the way towards delivering on those commitments. As the company's largest active equity holder, management remains committed to generating long-term value for all shareholders. Now I'll turn the call to Mike.

Mike O'Hara
Thanks Lou.

Good morning,

For the second quarter, we reported FFO of 28 cents per share and Normalized FFO of 29 cents per share. This quarter's earnings included 3 cents per share of interest income from the early payoff of the Solis Interlock loan. The loan terms contained a minimum interest amount which was calculated through the end of this year. With the payoff this quarter, this interest income, which was included in our prior guidance, was accelerated into the second quarter. As Lou discussed, this accelerated interest income was not the reason for our increased earnings guidance.
Our stabilized operating portfolio occupancy for the second quarter was at 94 percent, with office at 97, retail at 95, and multifamily including student housing was at 92. Our conventional multifamily was 97 percent occupied with the student housing at 84 percent. The student housing property, John Hopkins Village, was the outlier at 77 percent.

Overall, same store NOI was positive .7 percent on a GAAP basis and 13.5 percent on a cash basis. Office was positive 3.2 percent GAAP and 6.4 percent cash. The office portfolio continues its strong performance.

Retail was negative 3.2 percent on a GAAP basis and positive 24.6 percent on a cash basis. This significant increase in cash reflects tenants returning to their pre-pandemic rent schedules.

Multifamily was positive 6.6 percent on a GAAP basis and positive 1.7% on a cash basis. The issues with the Johns Hopkins student housing property had a large negative effect on these metrics. It was 77% occupied and had a large increase in real estate taxes due to an expiration of a real estate tax abatement. The conventional multifamily same store NOI without the effects from student housing was positive 14.9 percent GAAP and 12.3 percent cash.

Retail releasing spreads were positive for the quarter at 8.0% GAAP and 6.9% cash. There were no office renewals during the quarter.

If you look at the performance metrics of our portfolio including occupancy, same store NOI, re-leasing spreads, and how quickly the vacated space re-leased, it reflects the high quality of our real estate.

We have seven development projects that are in various phases of development. Wills Wharf, which is complete with only tenant buildout remaining, two under construction, and four in preconstruction, as is the case of the T Rowe Price headquarters. This building and the associated mixed-use project are structured as 50/50 joint ventures. With this structure, both projects will be non-consolidated joint ventures and, therefore, off balance sheet. The current estimate of our cost and equity requirement for the two projects combined is 60 million dollars. The JV will develop these projects and be the construction loan borrower.

Our share of the cost of the seven development projects is 440 million. The cost to date as of June 30th was 162 million, leaving 278 million to complete. This 278 million will be funded through expected construction loans of 180 million and 98 million through the credit facility. The projects in predevelopment are expected to start construction late this year and early next year, therefore, the cash funding requirements run through the end of 2022.

With our liquidity position of 170 million, the extended ramp of the cash requirements, the potential sale of non-core assets, and strategic use the ATM program, we are well positioned to fund these projects.

As for the ATM, this quarter we raised 14.4 million at an average price of $13.44 and $23.6 million for the year.

This past quarter, we refinanced the last 2021 debt maturity and we are now addressing the three 2022 maturities. Two are shopping center loans totaling 20 million dollars, which we intend to payoff and add to the credit facility borrowing base. The third loan is the for the Thames Street Wharf building. We have a term sheet to refinance it for five years at a similar interest rate to the current loan. We anticipate closing on the loan this month.

Taking into account the 2022 loan maturities just discussed, 65% of our debt maturities are beyond four years, including the credit facility. Our debt is a mix of fixed and variable interest rates, with 59% fixed and 41% variable. As discussed in the past, we maintain a hedging program for insurance if interest rates increase. Currently, we have LIBOR interest caps of 50 basis for 98% of our variable rate debt. Our average interest rate on all our debt is three percent.

With the combination of our loan maturity ladder, average interest rate, debt service coverage, and a fixed charge coverage of 2.4 times, we are very comfortable with our debt levels. With expected increasing NOI,

raising capital through the ATM program, assuming favorable market conditions, and the potential sale of non-core assets, we expect to maintain leverage in our target range of 6 to 7 times core debt to core EBITDA.

Our 2021 normalized FFO per share earnings guidance was increased to $1.02 to $1.06 per share. As Lou discussed, the largest contributor to this increase is higher NOI through leasing and the two acquisitions. In addition to acquisitions and GAAP effects, stabilized property projected cash NOI increased by $1.7 million. Please see page 6 the supplemental package for the details of our 2021 guidance ranges and assumptions.

For some insight into 2022, we are expecting Normalized FFO earnings per share to increase due to a combination of: higher NOI from 2021 leasing of the pandemic-related vacant space, leasing and tenants occupying at Wills Wharf, full year impact of acquisitions, development project deliveries and higher construction profits. Now I'll turn the call back over to Lou.

Lou Haddad
Operator, we would now like to start our question-and-answer session.

Operator
Thank you. Ladies and gentlemen, if you have a question at this time, please press "star 1" on your telephone. If your question has been answered and you wish to withdraw it, you may do so by pressing "#". If you're using a speakerphone today, please pick up your handset before entering your request.

Q&A Session

Operator
[Operator Instructions]

Our first question today comes from Dave Rodgers of Baird.

Dave Rodgers

I wanted to follow up, you talked about leasing spreads and the strength of multifamily. Maybe continue those same thoughts with retail? We've seen more leasing over the last 2 quarters. As you have a number of big leases set to roll over the next 6 to 12 months, those mid- to large-sized boxes, what do you expect economics to look like? And is there still a really solid demand behind that?

Lou Haddad

Dave, good to hear from you. So, our expectation is that the majority, actually, I would say, nearly all -- potentially probably all of those large boxes are going to renew at their option rate. We're not anticipating any giveback of space at this point in time.

Dave Rodgers

That's helpful. With the option rate being higher than where they are today, I guess I'm presuming, but you could fill me in. And then maybe the same question really on office. You have one, I think it's Day & Zimmerman, rolling next year. Maybe a peek into kind of what office looks like as you think about it here post-COVID as well.

Lou Haddad

Sure. Yes, option rates are typically minimally higher than the ending rental rate. On the office side, we're seeing a lot of really good activity. It's kind of across the board, Dave. At Wills Wharf, we are significantly above pro forma rates with the prospects that we talked to you about as well as the leases that are in hand.

With the rollovers, our expectation is that we're going to have increases on a GAAP basis of potentially flat or so on a cash basis. That's due to the significant bumps in these 10-year leases sometimes gets you past the market. But ultimately, we're not seeing -- the gist to your question is, are we seeing any let-up in demand and that answer is no. If anything, it's accelerating.

Dave Rodgers

Appreciate it, yes. And that's what we were getting at. That's great. Maybe shifting to the construction and development side of the business. Talk a little bit more -- and this is maybe more owned than third party, but what you're seeing in terms of the availability of construction materials and the increases in construction pricing and what that might do to your ability to create value if anything.

Lou Haddad

So far, the effect on us is pretty well contained. The projects that are underway were all purchased prior to the dramatic increase in a lot of these materials. We haven't had any hiccups in terms of the deliveries. And as I mentioned earlier, both those multifamily projects are slated to maintain their budgets as well as their schedules.

With regard to projects that hasn't started yet, you're obviously seeing some inflation. We're not seeing issues -- supply chain issues on the types of materials that we use. As you know, this is predominantly high-rise construction on commercial construction. But we are seeing increases. Fortunately, we're also seeing increases in the ability to rent for a higher rate. So I don't think our ability to maintain our traditional spreads is going to be impacted to any material degree.

Dave Rodgers

And maybe, Mike, last one for you. I guess with regard to the Delta variant, the large amount of funding that you have, you went through the funding ability that you have. But I guess, do you feel the need or have you thought about being a little more aggressive on the capital raising side just with continued uncertainty given the solid projects you have in the backlog?

It sounds like you talked about maybe noncore asset sales with the student housing. But just in terms of putting more equity into the balance sheet, whether it's holding on to some of those asset sales or raising more capital through equity, thoughts around that.

Mike O'Hara

Dave, I think as far as issuing more equity, I think it -- where the stock is trading today, we're going to put out very little or not a lot from a raising standpoint. We certainly have been selling noncore assets in the past. It's something we're continuing to look at. Like Lou talked about at student housing, we have other assets we're looking.

The other thing we're going to kind of keep an eye on is the Interlock loan could get paid off next year. And it's a matter of what's the timing on that when they go to market, and that will be a substantial source of capital as well.

Operator

Our next question is from Rob Stevenson with Janney Montgomery Scott.

Robert Stevenson

Lou, can you talk about the retail acquisitions, Greenbrier and then Overlook and what you're seeing there, what the upside is and sort of what pricing looks like on Overlook given that it's a Kroger anchored center?

Lou Haddad

Yes. Greenbrier is the Kroger-anchored center. The other is anchored by T.J. Maxx and Homegoods and Ross. Rob, we're seeing really good value in those properties. We were able to get them off market. As we mentioned, they're accretive. We'll have press releases on those out in the next several days. One is just closed. The other will close here, hopefully, in the next week or 2. But we see solid value in high-volume centers.

So we've been in the grocery anchor discount-anchored center business for about 40 years, and what we track is traffic. And when you have high traffic, then basically everything stays full and you have a lot of flexibility to increase rents as they roll over. These 2 properties are no exception. One has some vacancy, which is a great value add for us. But in total, we're looking at these as core assets that are going to be maintained for a long term.

Robert Stevenson

Okay. So these are not redevelopment plays or anything of that nature?

Lou Haddad

No. These -- like I said, there's a tremendous amount of foot traffic in both of these, which is what attracted us to them. These are properties that are known to us and the owners are people that we've dealt with before. And so it just fits hand- in-glove for us.

Robert Stevenson

Okay. And then how are you viewing the student housing market? How robust is that right now? Do you really need to have a year of the kids back in school in order to maximize pricing on any type of sales there? Is there a strong market if you were -- today, if you were to market one of these assets? How should we be thinking about that segment and sort of timeline for you guys to maximize profit there?

Lou Haddad

Sure. There's a confluence of different factors that you look at right now. There still is a lot of hesitancy, particularly on the part of parents, many of whom got burned last year with universities changing gears. And

so this has been probably the latest lease-up we've seen in that business occurring since we've been around. So that's the drag on occupancy and financial occupancy

On the other side of the coin, you've got cap rates at historic lows in anything that involves multifamily. And so you've got the push-pull of where you can maximize your value. For us, the defining factor is going to be redeploying the capital. As you know, as everybody on the phone knows, as a REIT, it's a question of whether you have a better use of the capital. And to the extent that it makes more sense to transact sooner rather than later because of opportunities that are basically flooding our inboxes, then we're going to do that. Otherwise, we'll wait because we believe we get more value as time goes on.

Robert Stevenson

To your comment about the cap rate, I mean, how does that -- how does pricing look like on a per unit basis, right? Is it -- because the NOI is down and so the cap rate might not be the best sort of arbiter of value on something with a sort of depressed rental rate? So when you look at per pound, are we sort of similar valuations to where we were prepandemic?

Are we still probably a little bit down and need to have the fall semester go off uninterrupted before that fully recovers?

Lou Haddad

Yes. I think the fall semester has to come off without a hitch, and hopefully, that'll be the case. But again, you're -- in the student housing business, as you know, you're locked in for a year. So you really aren't going to get any kind of a substantial increase until the following school year, which is consistent with what I've said earlier. So there are -- there's enough dollars chasing these kinds of assets out there that you still can get a nice price, but we'll -- like I said, the timing is really going to be a question of whether we have a better use of the capital.

Robert Stevenson

Okay. And then is the hotel open at Wills Wharf? And if so, how are they doing?

Lou Haddad

Yes. Hotels are open and rolling. It's done extremely well on the weekends. They're getting a lot of vacation or tourist traffic and it's coming back on the business side. So we're very pleased with where they are in light of a pandemic. The restaurant is completely knocking them dead as -- gosh, and it seems like it's been since day one. So I think they're really happy with the investment. And of course, as people continue to return to work, then it's only going to get better.

Robert Stevenson

Okay. And then on the deals that you've announced thus far, I mean, when you think about any type of free rent component or anything else in the initial part of the lease, Mike, when does -- on the current lease signings, when do you sort of hit full cash revenue off of that asset based off of current lease signings? Is that not until first quarter or is that some time here in the back half of 2021?

Mike O’Hara

We're thinking it's going to be middle to third quarter of next year. One is, like, we're saying we're in lease negotiations now with a credit tenant. By the time we get that lease signed and get them in, it's going to be well into next year. Transamerica, RBC are not going to be occupying until next year and continue a lease-up. So unfortunately, in this business, by the time you get a -- make a signed LOI with a tenant and get them in place and paying rent, it takes quite a period of time.

Operator
[Operator Instructions]

Our next question is from Peter Abramowitz with Jefferies.

Peter Abramowitz

So I think in Lou's comments in the press release, you mentioned, I think the wording was an ample supply of off-market acquisition opportunities. So I just wanted to dig into that. I mean, is that something where we should kind of be expecting more of these opportunities as we go through the back half of the year? Or you're just kind of referring to what's already been identified and announced to date?

Lou Haddad

Thanks, Peter. Good to hear from you. I'd say it's a little bit of both. What you should understand is we have a 40-year track record in our markets. We have a number of people that we've done business with over the years, many of whom own very desirable property and we continually talk to them about the possibilities of joining with us either through an outright sale or an OP unit transaction. There are a couple of those in the offing and a couple of larger opportunities as well. Again, timing is hard to put -- it's hard to put a date on it. But I think you'll see more activity of that ilk over the next 2 quarters or so.

Peter Abramowitz

Okay. That's helpful. And then on Wills Wharf, apologies if I missed this in the prepared remarks, but how is tour activity and just kind of interest on the space that you have left relative to what the vacancy is there?

Lou Haddad

Sure. As -- you may have joined late. What we said earlier was that we're at lease with another full-floor credit tenant, which will leave basically 2 floors left in the building. We have proposals out for effectively 4 floors, if not a little bit more. As I mentioned earlier, the velocity of tours is really at a very, very fast clip at this point in time. We couldn't be happier with what's going on.

And as Mike alluded to, the question is how quickly those turn into leases and then how quickly that turns into actual rent. Everything seems to take longer these days, notwithstanding the pandemic. Just permits for tenant improvements and then the actual work in the actual move-ins. like we said earlier, were looking well into 2022 before we really have those people in and paying rent.

Peter Abramowitz

Okay. Got it. And then one more for me. It was good to see you have some more clarity now on Harrisonburg, as well as Southern Post. So I guess that leaves Ten Tryon as the one that's still kind of on pause. I guess what would you need to see or what are you looking for kind of points of progress to check off before you feel comfortable going forward with development there?

Lou Haddad

Pete, this is the beauty of having a diversified model. That project was intended to be a mid-rise office building anchored by a Fortune 100 tenant as well as a Publix on the ground floor. We are concerned about putting as much spec space in that particular location as that original design called for. So we're working with Publix and the other tenant as well as our partner to see if there's a better mix for that property. And we believe that there is. We're running some test designs now. And I think you'll see an announcement here in the next quarter or so on a new project that we will be happy to get underway. But that's -- I can't emphasize enough how much of an advantage it is not to be locked into 1 product type and also having your own development and construction expertise certainly helps.

Operator

We have reached the end of our question-and-answer session. I would like to turn the conference back over to Mr. Haddad for closing remarks.

Lou Haddad

Thanks very much for joining us this morning. Stay tuned, as I said earlier, for further updates. I think you'll be hearing from us later in the quarter in a couple of different arenas, and we look forward to updating you in November. Thank you. Take care.

Operator

Thank you. This does conclude today's conference. You may disconnect your lines at this time and thank you for your participation.