Centrica Trading Update 15th December 2006

Presenters

- Sam Laidlaw
- Phil Bentley

Sam Laidlaw: Good morning everybody. I'm Sam Laidlaw, Chief Executive of Centrica and I've got with me today, Phil Bentley, Group Finance Director. Now as you're all aware we released this morning quite a detailed trading update, and I'd like to just take you through the key points as I see them and then Phil and I will take your questions at the end.

Firstly and I think most importantly, you'll see that we do confirm our 2006 earnings. We expect earnings to come in marginally above consensus, just above 18 pence, and I think this has been delivered in a very difficult year of huge fluctuations in the gas price and of course, 13 separate price movements upwards during the year by the major energy retailers. We in fact have one retailer who has yet to move their prices up in January.

So I think, although we are able to confirm our earnings guidance there are a number of competing factors at work. First of course, was the very warm winter. We've had the warmest winter on record here, which has reduced consumption for the British Gas. And the other impact has been that additional supply from BBL and from the Langeled pipeline has meant that actually we've had some very low intra-month prices, and we've chosen therefore, not to run some of our gas fields during the winter which we would normally run, particularly of course South Morecambe, and that's meant upstream profitability has been down. Offsetting this on the positive side, the curve for Q4 has softened quite materially and is starting to improve the input cost position for our retail businesses in the UK. And so when we put these two big factors together, the overall earnings mix has changed, less earnings in the upstream, better position and better margins in the downstream, which results in a reduction in our effective tax rate, to some 45%.

You'll see also, that as a result of the fall in the wholesale costs, we're now getting more comfortable about being able to reduce prices next year, and that's why we are making the very clear statement, that we will reduce our prices for our customers in the spring. Clearly the size of the reduction is going to depend on the wholesale prices during the winter, and we haven't yet seen the winter, but we do expect to be able to absorb the significant additional increases in distribution charges that have recently been approved by the Regulator, and we do plan to reduce our prices in the spring, whilst at the same time continuing to maintain acceptable margins in this business. We do of course need to ensure that this business remains profitable through the cycle, and also remain profitable if we're to secure new sources of gas.

We've announced also today another important element of the statement is the £300 million exceptional charge, of which £200 million is a non-cash write-off. Let me just explain what's happening here.

We've carried out a fundamental review of our operational efficiency and I've been through all the parts of the business, and we've looked at our systems infrastructure across the Group. The result of this review will streamline the business making it much more fit for purpose, lower the cost base going forward and we're also committed to improving our service levels. We've identified some 1,300 roles which will be removed from the organisation, ranging from British Gas Residential, British Gas Services and the Corporate Centre, and including of course, the closure of our Stockley Park office. This will take a cash cost of about £100 million. The £100 million cash cost will provide annualised benefits of over £30 million, of which we expect to see £24 million next year.

On the non-cash side, we are taking a charge of £200 million and that relates to write-downs in our systems and our systems architecture. As you'll be aware, the systems were designed several years ago for multi-functionality, when we were looking effectively at the multi-utility model. We have additional functionality that's simply not being used, and as we look at this going forwards with the business model that we now have, which is focused on gas and electricity, the wider cross sell is no longer required. So we are writing these systems down, to what we believe is their appropriate carrying cost going forward, and this will bring a further annualised benefit of around £31 million.

Another important element of the statement is of course customer numbers. You will see the customer numbers are down by 6%, or some 978,000 accounts. Although I think it was widely anticipated that we would lose customers of this sort of order of magnitude, this is clearly disappointing, but let me just put this in context.

In the first six months of the year we lost 450,000 customers, but those were really all lost in a three month period because at the beginning of the year until our March 22nd price announcement, we were actually gaining customers. So the important point here is that we lost 450,000 customers in the three month period at the beginning of the year, and we've lost 500,000 customers in a six month period in the second half of the year, so the rate is slowing, but it's clearly still too high. Why do we think this is going to come down going forward? Well firstly, if we look back to a period of flat prices at the beginning of 2006, more stable prices in the beginning of 2006, we were gaining customers and we expect that today's announcement that we plan to reduce prices in the spring, will certainly reduce our churn. Secondly, we're committed to improving our customer service. During the period of very turbulent prices we were implementing our SAP system and we have 95% of our customers now on the SAP system. Clearly we had some teething problems with the system and service levels were not where they need to be. We have put an additional 500 front line staff in our call centres to improve our service levels and we are working through the migration of the remainder of the customers, the additional 5% which we have now scheduled for the first quarter of 2007, so that we can really focus on delivering improved quality of service to the 95% of customers who are already migrated.

In gas production, Morecambe has always been a corner stone of our profitability. But I think the big thing about this trading statement is you'll see, that although we, with the lower prices, have reduced our production from Morecambe, clearly at very low price levels, it was more cost effective for us to buy gas in the market. Morecambe production year-on-year is down around 50%. Despite this we've managed to meet our earnings guidance. Which shows going forward, although Morecambe is still an important aspect, it is perhaps less of a contributor than has historically been the case. And the tax regime on our upstream business clearly is high, so the bottom line impact is moderated.

In terms of our other businesses, you'll see that they're all performing well and they're on track. British Gas Services is having a much better winter so far with improved operational and service metrics, and we expect a stronger second half. It will deliver £100 million of operating profit in the second half. British Gas Business is going to beat consensus forecasts with continued strong customer renewal rates, and North America is continuing its growth and will post an uplift in operating profit of around 20%.

So I think to summarise here, the operational review we have conducted will result in some exceptional charges and also will clearly result in some major restructuring of the business, to reposition the organisation to a lower cost base, committed to first class service. That's the outlook. Although the market is going to remain and does remain very competitive the continuing fall in the wholesale energy costs, I think, positions us much better for 2007, which is why we are able to plan the price reduction that we do plan for the spring of 2007 and yet, at the same time have much stronger levels of profitability in 2007.

So I think that's really the summary. Let me hand over, I think to questions at this stage, and Phil and I will do our best to answer them and are happy to take them. I would also just emphasise that we want to really focus, as this is a trading update on 2006, rather than forecasts for 2007.

Bobby Chada, Morgan Stanley:
Morning everybody. I had two or three questions, if that's ok. But first was just clarification on home services, Sam.

Sam Laidlaw: Yes, I'm sorry. I think I misspoke that the £100 million is a full year number, not a second half number.

Bobby Chada: Perfect, thanks. Then two things really, on the systems…

Sam Laidlaw: There was one other point I should just clarify as well, and that is the effective tax rate is going to be reduced and this is the Group effective tax rate, to around 45%, it maybe slightly below 45%. I think I said it was going to be reduced by 45%, so let me just clarify that point at the same time.

Bobby Chada: Ok. So my first question is about the back office systems, with the delay in migrating all the customers and bringing 500 frontline staff into the business, first of all will you still meet the 2006 cost saving or do you still expect to meet the 2007 cost saving target?

Sam Laidlaw: Yes, we do is the answer to that and we're very clear about that in the trading update.

Bobby Chada: And when…

Sam Laidlaw: We're confirming that existing target.

Bobby Chada: Ok. And then secondly, working capital, the first half saw quite substantial outflows, could you give some guidance for the second half please.

Sam Laidlaw: Yes, we're not giving specific year end guidance but we can give you some general guidance on this.

Phil Bentley: Yes, Bobby, it's Phil here. As you know we said at the half year when our net-debt levels were about £1.9 billion, we expect the year to end stronger than that. We still do. Working capital, a reversal of those outflows is a part of that, we're not going to go into the final numbers at this stage but obviously we're comfortable with the guidance we gave at the half year. I mean the other point Bobby, to come back to that point about the opex targets in British Gas, obviously these reduced depreciation charges coming out of the non-cash write-off and the further rationalisation will reduce that total, £870m target down by about £40 million is the British Gas Residential share of all those rationalisations going around and across the Group.

Bobby Chada: Great, thanks very much.

Jamie Tunnicliffe, ABN Amro:
Yes, good morning. I just wanted to check on the industrial and commercial where you say the £250m loss that you'd expect. Is that for the whole industrial and wholesale, or is there some overheads in there that means – I'm just trying to workout whether that's the EBIT for the reported segment or the industrial contracts within that.

Sam Laidlaw: Jamie, it's a good question. That is for the whole segment. As you will be aware there is about £50 million of opex in that segment.

Jamie Tunnicliffe: Ok, so that's including it, ok.

Sam Laidlaw: Yes.

Jamie Tunnicliffe: And just on the cost saving that you've announced, the 34 million, you said about how you've done this fundamental review. Is this sort of an ongoing process? I'm just interested to know and whether this is just an early sort of indication.

Sam Laidlaw: Cost reduction in this business is an ongoing and relentless process is the answer, and we will continue to identify further savings on a consistent basis. You know, all the way through 2007, 2008.

Jamie Tunnicliffe: Thank you very much.

Andrew Wright, UBS:

Good morning. Hi, I wonder if you could give us some indication about the cause of the customer losses and to what extent it's related to the price differential between you and the competition, and to what extent it's related to customer service issues. And also, could you perhaps give us some overview of what's going on, on customer service and whether you're getting on top of the problems that have been sort of fairly widely reported.

Sam Laidlaw: Well, Andrew I think part of it is price and part of it is service levels. In terms of what we're doing to get on top of price, obviously the announcement that we are making today is that we do plan to reduce our prices in the spring. I think will help reduce churn levels particularly as one of our competitors is going in the opposite direction. In terms of what we are doing on the service level side. We were during the months of August and September migrating very large numbers of customers onto the SAP system. It is one of the worlds largest SAP systems, it is a very complex system particularly in the areas of direct debit both for gas and electricity, and the service levels weren't where they need to be and we are still working through that. We believe that with the additional frontline staff that we've added, the 500 people that we've added in the call centres together with a systematic process of basically eliminating teething problems in SAP we will improve service levels. This inevitably won't happen overnight because it's a very complex system but we are on top of it and it is the highest priority for the management here. Does that answer your question, Andrew?

Andrew Wright: Do you have a goal for customer losses for next year?

Sam Laidlaw: Well, you know, as I said in the opening remarks in the first three months of 2006 we were actually growing customers and the brand remains strong and I would hope that we can certainly get back to a period of stability, where much will depend on in 2007 on not only our price reduction but obviously on competitive pricing as well as service levels. Phil?

Andrew Wright: Thanks.

Sam Laidlaw: Phil?

Phil Bentley: Just, Andrew, just to add a point there Andrew. Well, I mean as you know SAP is a great system and works brilliantly, provided all the data conforms and configures, and if it does, it whistles down the pipe without of touching the sides. The problem we've got at the moment is around a number of exceptions and the reason why we have a number of exceptions is that SAP is interfacing with systems that are out with SAP. For example, we take meter reads from a third party system, pre-payment mechanisms are generating input into SAP from outside of the system and obviously when there's a change of supplier, again that's a change from outside of the system and that's really where the target, where some of these exceptions are arising, where, if you like, customers have been dropped between the two systems. So we're pretty confident we'll get on top of that and see major improvements as we go into the first quarter of 2007. It is not untypical of an SAP large-scale implementation certainly in my experience.

Andrew Wright: Ok, thank you.

Peter Atherton, Citigroup:
Morning. It's – just two questions on the demand side, if I may. On the 15% fall in residential gas demand, firstly have you got a similar number for electricity, and secondly, do you have any feel for the breakdown of 15% , is it all weather or are you also thinking that there is some demand destruction, given the very large price rises that we saw coming into the winter.

Sam Laidlaw: Good questions, Peter. On electricity, we don't think the demand reduction is material. On gas, we think the vast majority of it is weather related. There have been some independent studies as to how much might be caused by price and of the 15% reduction possibly 2% might be price-related but the vast majority of it is clearly a weather phenomenon.

Peter Atherton: Thanks. And also on industrial business gas demand are you seeing a similar drop? In the SME market etc.

Sam Laidlaw: No, we are not.

Phil Bentley: No. I mean we're actually, a lot of that is driven by underlying top line growth where we're actually winning new contracts with new customers so it's hard to split between a new customer that we're winning. What we can say is that we are delivering more volume in BGB both gas and electricity in the year and that will continue in 2007.

Peter Atherton: Great, thank you.

Colin Pollock, Credit Suisse:
Hi there, I have a few questions, if I may. I'm just interested to know what's driving the growth in North America, which segments performing particularly strongly. My second question is in relation to Home Services. I'm just interested to know, to what extent their performance there is driven by the weather, given previously you mentioned that cold weather resulted in depressed profitably there. And finally, I'm just interested to know how reducing output from Morecambe impacts the costs incurred in that part of the business. Thanks.

Sam Laidlaw: I am not sure I quite caught your second question, Colin but maybe we can come back to that.

Colin Pollock: Sure.

Sam Laidlaw: But the first question which is around what is driving growth in North America? The answer is, it's really our entry into the new growth markets, as you are aware we entered nine new states in the North East last year and the growth is really coming from those markets. It's also coming from the Canadian Home Services business, so those are really the two principle areas of growth and they are generating not just top line growth but clearly bottom line growth as well. Your second question, I think was around Morecambe and I didn't quite catch the last part of it.

Colin Pollock: Yes, the second question is actually on Services. I am just interested to know, the performance in Services tends to be somewhat related to the weather as well, doesn't it. I am just interested to know, how much of the recovery in Services has to do with that and how much is to do with efficiency and customer service benefit.

Sam Laidlaw: Yes, I mean we did have, if you're talking services in the UK?

Colin Pollock: Yes, that is right.

Sam Laidlaw: Yes, we did have a difficult winter last winter, as you are aware. We had 160,000 additional calls because we had a one in twenty winter in March, and we had difficulty with a very high volume in the call centres getting out, and particularly in the service and repair business. We've done a lot of work during the course of the year. We put in a new management team. We put in new systems. We're also in the process of rolling out our national parts deployment system and all the leading indicators for this winter are much more encouraging and we're measuring here, despite the fact that we are now starting to see increases in volumes in the call centre when we look at ASA (answering times) in the call centre, when we look broken promises, when we look at number of installations that we are actually managing to make in the central heating installation business. All the leading indicators are showing much more encouraging signs. That is why we think that we will have a much better second half of the year than the first half of the year.

Colin Pollock: Great, thanks. And the final part of the question was how does reducing output from Morecambe impact the cost structure of that part of the business.

Sam Laidlaw: Well the answer to that is, yes, there is some operating costs but Morecambe actually had low operating costs. It just has a very high fixed tax charge under the existing agreement that we have with the offshore supplies office. We basically pay tax on a long-run marginal cost, and therefore, it is the tax rate that is high rather than the operating costs. The operating cost is low here.

Colin Pollock: Ok and it's presumably largely fixed.

Sam Laidlaw: And fixed.

Colin Pollock: Ok, thank you. Thanks very much.

Phil Bentley: Let me just maybe just comment on that point, just a little bit more background, as you know the way that we price Morecambe, is on a lagged forward market price, so and we're still paying tax, if you like, on what the forward market was predicting six months ago and three months ago, and that's what we're paying taxes on at the moment. So obviously that will work through as prices fall into 2007.

Colin Pollock: Ok, thanks very much.

Sam Laidlaw: So the supplementary on that is we would therefore expect our tax breakeven to come down in 2007.

Iain Turner, Deutsche Bank:
Morning gentlemen. Can I just ask the £200 million non-cash systems write-off, what proportion of your systems investment is that? And then secondly, does the 15% lower volume due to weather, does that help your margins or make them worse in 2006?

Sam Laidlaw: The reduction in volumes, let me take that one first, clearly if we're selling less gas, clearly that reduces our overall profitability. In terms of the percentage of systems that were writing off, it's about 50% of our overall systems investment in the residential business.

Phil Bentley: And it is just, if you think about that Iain, as Sam said, the systems were designed four years ago and we've taken the opportunity in British Gas Residential to look at what's been capitalised and as Sam said, what functionality we're using. For example, there was quite a lot of investment that was necessary to ensure that the new SAP system could talk to the old what we call legacy systems and access the data. Now obviously, as we have further migrated all that legacy data into SAP we don't need the software that goes back into the old legacy and pulls the data out, so we have taken the opportunity to write that off. And it's that type of thinking where a lot of the money was spent upfront on the database design and what was needed at the time, and we just really had a real drains up on it and said, frankly, do we need this going forward?. We have got a very good business system now and a good database mining capability but within British Gas Residential and that's what we are left with.

Ian Turner: Thanks

Chris Rowland, Ecofin:
Thanks. The only other issue I had was just to understand the cost savings where the restructuring is going on and the £34 million. You flag the 1,300 jobs that are going. I mean is the £34 million net of the 500 new positions, and secondly, I could not quite hear Phil's comment earlier about, how much was going to come in BG Residential, the 40 million, and whether that, I think it was 40 million, and if that was by 2008.

Sam Laidlaw: The answer is the £34 million is net of the 500 new positions in the call centres, which will be effectively not an ongoing situation because we're putting the people in the call centres to improve our service level at a time when we are continuing to migrate onto the SAP system, and when we are continuing to basically eliminate the teething problems on the SAP system. So we don't expect those 500 people to be an ongoing running rate, so the £34 million is a net saving.

Phil Bentley: Yes. And just on the other point there on the opex, if you like , the opex savings that have coming through, the group as a whole is, if you take 2007 is running at £55m, and what I said was, British Gas will be just over 40 of that 55, British Gas Residential will be just over 40. The others are in Home Services obviously and the target we set for our opex is in the energy side, not in the services side, and there's bits and pieces of I say, corporate that gets streamed out to the rest of our businesses. I just want to make sure that you weren't dropping the whole of the 55 alone to British Gas Residential because that would not be right.

Chris Rowland: Ok.

Andrew Mead, Goldman Sachs:
Hi, can I just ask about the decision to absorb the 100 million grid charges, just to understand, is that just a temporary thing and it's deemed inappropriate to pass that through in the current environment. And does it also have a view, as you commented earlier, about ongoing cost control going forward, that you can offset that as you progress further through the business. And then the second question I just have is, could you just remind me what the average price differential is at the moment that you have in the market, versus the other suppliers. Thank you.

Sam Laidlaw: Andrew, I think your question is around the decision to absorb the £100 million of additional transportation and distribution charges that come out of the latest regulatory review. The bottom line of this, is that because we are more comfortable about wholesale prices, although we have not yet been through the winter, which is why we're not announcing the magnitude of the price reduction now. We do believe that we will be able to absorb that £100 million over the entire customer base, and still have a price reduction and still have acceptable levels of net profit in the business, and that's key. We're not doing this to in any sense to sacrifice profitability in the business. We, of course, need to get back to a price differential relative to our competitors that enables us to start rebuilding customer numbers, and reduce the level of churn that we've got in the business at the moment and that leads onto the second part of your question, which is around what the price differentials are, now they are – it's clearly very area specific and its specific relative to different customers. We believe that when the outlier has moved their prices up, the brand together with some stability in the market will significantly reduce the churn, but you know the price differential is different on gas and different on electricity and different in many different areas, and clearly, I don't think we've got time to go into all of that.

Andrew Mead: Ok, thanks.

Peter Bisztyga, Citigroup:

Hi, I've got two questions actually. First of all, I think a couple of months ago you said you are expecting, or you thought residential margins could recover to about 5% in 2007. I was just wondering whether that still stands. Whether we should be expecting a higher number given the cost savings you have announced, and also given the fact that the revenue will be lower after you've cut prices. And my second question is: what shall we expect from Morecambe output next year, if weather returns to seasonal normal?

Sam Laidlaw: The first question is around the guidance we gave back in July as to what reasonable levels of profitability should be in this business. What we said was, on a full cycle basis, we would expect returns – and I think many analysts have commentated similarly – that returns should be 5% net margin. We believe that with the brand strength that we have with British Gas and the economies of scale that we get, we should be in the 6-7% range, and we believe that that is achievable with the combination of the cost savings that we have indicated, price reductions and the softer demand that we may be anticipating as a result of both, if we have continued warm weather or if we have, you know, obviously, the impact of higher prices.

Peter Bisztyga: I'm sorry – and just to clarify, could you see that sort of 6-7% as early as 2007 or do you need the full suite of cost savings to come through before you can achieve that?

Sam Laidlaw: We would expect certainly to be north of 5 % in 2007.

Peter Bisztyga: Great, and my second question was on output from Morecambe, what we should expect for next year?

Sam Laidlaw: We would expect Morecambe production to be up at least 25%, but of course – on this year's numbers – but of course it does depend on the weather and it will also depend on intra-day and spot prices.

Peter Bisztyga: Great, thanks.

Ian Mitchell, JP Morgan:
Yes, morning guys, hi. Just a quick question on pricing and stabilising the customers, I mean clearly there is some sort of premium you have over the average, whether it be 7-8 % at the moment depending on where prices are when everyone else has moved. Do you think that in order to stabilise your customer base, as you are aiming to do next year, that premium needs to be fully eliminated or do you think that the strength of the brand allows you to maintain some sort of premium going forwards? Then also, do you think you will be in a position at your preliminary results to be able make the announcement on the magnitude of the price cut, or will that still be too early? And then finally, just quickly on industrial and commercial contracts, clearly there has been a big change in the losses this year – is there any way you can give guidance for next year? Or is it too early, given movements in wholesale prices? Thanks.

Sam Laidlaw: I think the answer to the first question is that we do believe that the strength of the brand enables us to price at a slight premium, and that has been all the history and all the evidence; certainly coming in new to the business I am impressed by the strength of the brand.

The second question, really – when will we be in a position to announce a price reduction and will we be able to do so at the prelims – and we don't to want to front-run the prelims nor do we want to give away competitive data about when we are going to announce a price reduction. We have said prices will come down in the spring and that's it.

Phil Bentley: And just on that other point Ian on the I&W, and I think the I&W contracts losses will be lower next year. But we are actually spending more money on opex in the upstream, because as you know we have recently been awarded a licence block in Egypt, we have got Nigeria, we have got a Norwegian office and we are looking at bidding in some other acreage internationally as well. So actually our EMG opex is actually going up, at the some time when our losses on I&W contracts are coming down, and as you know we report the two in aggregate.

Ian Mitchell: So overall, are those losses going to be flattish? Will one offset the other? Is there any way of giving us any-?

Phil Bentley: Yes, I think it will be about flat or down, they won't be any higher.

Ian Mitchell: Ok, thanks

Bobby Chada, Morgan Stanley:

I just had one follow-up, just to try and understand the complete picture on the systems, the back-office systems. Is it right for us to think that Accenture, who I think were the implementation partner, are now completely finished and that you're running everything with Centrica in-house staff – and do you expect to either make any payments or receive any payments from Accenture over the next year or two?

Sam Laidlaw: The answer, Bobby, is that we are managing the remaining migration entirely with Centrica staff and Centrica contractors and we don't expect to make any further payments to Accenture, whether we will receive payments from Accenture is obviously the subject of continued negotiations.

Bobby Chada: Great, thanks very much

Andrew Moulder, Credit Sights:

Yes, hi guys. Just a quick question, maybe I missed it but could you just make a comment on what your bad debt situation is at the moment. I've seen some recent press stories that you're kind of de-emphasising trying to the collect bad debt. I just wondered, could just update us on exactly where you are regarding that?

Sam Laidlaw: We are not de-emphasising trying to collect the bad debt, and I think the press stories perhaps relate to a decision that we have taken that actually, rather than undertake further significant systems change by redesigning our debt model, which we do need to do – it's not the highest priority; our highest priority is improving customer services – debt collection continues to be a strong focus, but with the existing systems. We are also introducing, and have introduced a 5 pound charge for late payments which in fact compensates for the cost of recovery of debt. Debt collection remains a key focus; the fact that we have rescheduled the new systems design in no sense indicates that we're taking our foot off the pedal here. It's just that we actually have got a lot of systems integration and we want to stabilise all the existing systems, ensure that we have good customer service and continue to, of course, collect debts. We are not seeing a significant movement in ageing or receivables.

Phil Bentley: I think the point, Andrew as well, I think maybe just picking up, was we made a decision that we would not go back and recover old prepayment debt. This is where the meter has been ticking on the old rate, as it were, and some of it related to going back twelve months or so, going to houses and then winding on the rate to recover the under-recovery of the past. What we felt that was on balance, I think there was about 10 million net recovery, that frankly at the end of it we were, it was just taking too much time and effort frankly, and disruption to going to homes, and keep winding meters on. So that's I think the point we're making.

Sam Laidlaw: And that is included in the 2006 customer.

Andrew Moulder: Thank you.

Sam Laidlaw: Ok, if there are no further questions, let me thank you all for joining in the call. I think you will have seen from the trading statement that this clearly, I think, is an opportunity for us to really move forward with the business, reduce our cost base, improve our service levels, but also I think the markets that we are now in, does enable us to look forward to a period of reducing prices, whilst at the same time, clearly maintaining our profitability. We do expect 2007 to be a much stronger year, and we look forward to sharing with you at the prelims the progress that we're making on all of our plans and also on continuing to restructure and move the business forward. So thank you all very much and a very happy Christmas to you all and thank you for joining the call.