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Delta Air Lines, Inc. (DAL)

Bank of America Merrill Lynch Transportation Conference

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MANAGEMENT DISCUSSION SECTION

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...with about a $6 billion capital return program announced just yesterday that they plan to do over the next three years.

With us today from Delta is the company's CFO, Paul Jacobson. Paul is in charge of Delta's global finance organization and has been with the company since 1997.

And with that, I'd like to turn it over to Paul so he can go through the Delta story for you.

Paul A. Jacobson
Chief Financial Officer & Executive Vice President

Thanks, Andrew, and good morning, everybody. We are webcast this morning, and thanks, everybody, who's joining via the webcast. And we're also joined here this morning by a couple members of our Investor Relations staff: Jill Greer and [ph] Winnie Smith (00:45), who have done an extraordinary job this week coordinating our visits and our announcements over the past 24 hours, as well as Jenny Winter from our pilots' union, who's here in partnership with us, as we often have. She's new to this circuit, replacing, those of you who may know, Doug Ralph, who's joining our board of directors as the ALPA representative on the board. So, we wish Doug well, but we're glad to have Jenny with us, and excited to have her with us for the full day.

Today's presentation does include a number of forward-looking statements, as you well know. You can see the reconciliations and the other metrics that you need – refer to our financial statements on our Investor Relations web page.

The Delta story has been one that's been very exciting as we've watched it evolve and watched develop. We've been saying for several years now, we saw a lot of potential in the business to actually behave and produce results that are similar to high quality industrial transport companies in the S&P 500. And as we've seen the trajectory progress, we've actually made significantly good progress on that path, which yesterday's announcement of our cash return, which we'll spend a little bit of time on, really reinforces that message and puts us in what we think is some pretty stellar company. But still an opportunity on the valuation to drive even better results as we see that, and that's we're all committed to doing.

So, we've seen upward trajectory in the business as a result of a culmination of multiple investments as well as revenue growth and strategic investments through our alliances and through technology. We've also had a very good track record of cost productivity over the last few years as we've talked about with a goal of keeping our unit cost growth below 2%.

That's all produced rapidly expanding margins as we've seen. We've managed to actually double earnings over each of the last two years, and while we can't double into perpetuity, we see solid room for continued growth this year.

And what we've seen is that we are now very well positioned against our high-quality industrial transport peers. We've talked about our free cash flow generation is actually in the top 10 of the S&P 500, not on a margin basis, but on an absolute dollar basis when you look at the industrial complex.

And that's what the capital allocation strategy is meant to do. It's really to transform the history of this business where the cyclicality of the past resulted in little to no cash flow being returned back to shareholders. We want to make that as part of a systematic program that we've done over the last couple of years completing our prior announcements early and paving the way to make this announcement that we did yesterday and settling on an investment grade debt target that we think is going to prevail for the long term.

We continue to drive industry-leading results. Really, I think, at the cornerstone of this is the operational performance of the airline. As we've seen that reliability increase, we've seen a pretty strong correlation with our customer satisfaction metrics and customer service metrics across the board. And that's led us to maintain or expand even our revenue premium to the industry because we see customers demanding more from Delta and willing to pay for that, and we've seen that over time.

So we generated – if you look at the last 12 months in the first quarter, we generated nearly $5 billion in pre-tax income. That actually includes about $1 billion of settled hedge losses, both in the quarter – the first quarter, as well as early settlements that we did during that quarter. And that's a testament to really what we see going forward on the longer-term horizon as we start to sunset out of the hedge position beginning in July, and we'll talk about fuel in a little bit.

We've managed to lower our debt level by over $4 billion since 2012, increasing our pension assets and helping to cover some of that funding gap that we see in there, all while returning over $2 billion to shareholders through dividend and buyback programs. So, clearly, a trajectory that is consistent with what we've aimed for and what we've targeted over the last few years to really fundamentally transform the way people view airlines and Delta in particular.

As we look at the June quarter, we are looking at an operating margin of 16% to 18%, which, if you look, excluding hedges – not making an excuse for the hedges – but just excluding it to understand the run rate of the business, that would be an operating margin north of 20% and certainly represents the trajectory that we expect to be on as our hedges sunset during the quarter, with PRASM down 2% to 4%.

We'll be updating guidance in a couple of weeks. Obviously, fuel has been moving around a little bit. But just to give you some color, I know there's a lot of attention paid to the monthly RASM numbers. There is some choppiness in that number, particularly if you look at year-over-year comps and year-over-year capacity additions, as well as the impact of FX.

So, we've produced down 3.5% in April as we released last week. May is probably going to be a little bit worse than that, and June is going to be substantially better, because when you look at last year's comps and you look at the way the capacity is laid in, we still feel good about that 2% to 4% number. But June should be better as you see that.

None of this is really worth much if we don't continue to keep our foot on the gas. I think as a finance person, one of the biggest challenges we have is to ensure that we don't see complacency set in. It's easy when you're producing these kind of margins to think that it's going to last forever and we don't need hard work to continue to expand that. Really, nothing could be further from the truth as we continue to drive better performance through the organization, beginning with the operation.

This investment started in 2010 in which we had a very difficult operational summer. And to Richard's credit and the vision of Steve Gorman and Gil West on the operations side at the time, we really had a focused investment on improving the operation, because we realized pretty early on that differentiating ourselves among our competition was going to be a key to driving better revenue performance across the industry.

So, we set to invest in all aspects of the operation, whether it's spare parts to improve on-time performance or completion [ph] factor (07:53) or baggage technology in order to improve baggage systems and baggage performance, all with a mind to improving the customer experience. And if you look at our maintenance performance in particular, from 2010 to 2014, the year – the full year that we just completed, we've reduced maintenance-related delays and cancellations by 90%. That equates to about 2.5 million fewer inconvenienced passengers since 2014 than we had in 2010, so really moving the mark and driving better customer service results has been a key contributor to the revenue story that we've seen.

And we've also been increasing 100% completion factor days. Ed gave a great stat on the earnings call talking about how we had 197 days last year with a 100% completion factor. That means every flight that was scheduled arrived at its destination. If you look at the top three competitors combined, they had 13 last year. So that type of outperformance is really driving a better customer experience at Delta, and believe we have the revenue to show for it.

We've also been investing in the product, making sure that we have the amenities on board and we're offering an experience that passengers value and that they're willing to pay for. So whether it's the branded fares initiative or the implementation of the next generation of Wi-Fi on our airplanes and international Wi-Fi, which will be completed this year, we really are trying to make sure that, similar to other industries and other companies inside the travel ribbon like hotels and car rentals, that we can offer passengers choice. Because when you can offer passengers choice, they're willing to spend more for the value that they seek and they can drive their own personal experience.

So we can continue to make those investments consistent with our $2.5 billion to $3 billion annual CapEx goal to continue to drive the business. And you see that across the board in the revenue line and what you see in the revenue premium. Domestically, we're at 115% of industry average unit revenues, and across the entire system, we're at 107%. So, we've got to continue to drive that outperformance and invest where customers see value.

Now, obviously, we've seen some international weakness, so that's nothing new and nothing unique to Delta. FX pressure has caused us to kind of reevaluate and think about demand, and as you saw in the second – or in the first quarter earnings announcement, we have decided to pull back some capacity in the winter season beginning it after Labor Day in order to try to balance that out as we continue to drive towards flat unit revenues and make sure that we can expand our margins across the board.

But domestically, when you look across all of our domestic locations; New York, Seattle, LA, obviously our hubs in Atlanta and Minneapolis, Detroit and others, are performing quite well, and we see summer demand building up very strongly for us.

The last item that I want to talk about is the cost productivity. This has been a – really a point of pride for the finance organization in partnership with all the operating divisions across the company. We've really exceeded even our own expectations on cost performance and what we've seen over the last couple of years as we committed in 2013 to keep unit cost below 2%.

As we unveiled our long-term plan yesterday, we talked about we believe we can hit that 2% trajectory through the next three years. There may be a little bit of noise through that because we do have a pilot contract that does come up for renegotiation next year, and as we talked about on the call, we're – we are in discussion. That may put a little bit of geographic pressure on CASM, but one that we think that we can overcome as we think about overall expense management in the company.

And as we look at that trajectory through 2015 and 2017 through initiatives like continued upgauging and other tactical improvements that we do each year, we believe that we can keep that 2% trajectory going on.

Fuel is obviously a big story in the industry this year. It is providing a big earnings tailwind for the industry as a whole. It's providing a big earnings tailwind for Delta as well. Although we did have some hedge losses in the – during this year that is – that are greater than others, we still have $2 billion of year-over-year improvement that we're projecting just net of hedges just for the year in 2015. But the bulk of those hedges are already behind us, as we mentioned on our call. Substantially all of those hedge losses will be already recorded as we finish the June quarter.

We have about $300 million of hedge losses only spread through the second half of the year. And as a result, while we've been dislocated in the March quarter and the June quarter from the industry, we expect to be at or better than industry average in the second half of the year, which is going to provide a nice tailwind for continued cash generation and earnings growth.

The other piece of the fuel story is the refinery. This is unique to Delta, and it's actually performing very, very well right now. If you look at the last four quarters, we've produced a cumulative profit at the refinery of over $200 million. And remember, the initial investment to acquire the refinery was about $150 million. So as we've seen the commercial team under the leadership of Graeme Burnett, who joined us as a Senior Vice President of Fuel, combined with the operational excellence that Jeff Warmann and his team at the refinery is producing, we're actually pretty consistently profitable right now with $100 million profit in the fourth quarter of last year, an $80 million profit in the first quarter, and we think a $70 million to $80 million profit looking at the second quarter.

That's primarily a result of a shift away from our initial crude purchasing strategy to one that is much more domestically focused. In the first quarter, we were 100% North American crude oil at the refinery, which was mostly domestic, but also did include some Canadian and some Mexican crude as well. But we're no longer importing cargo regularly from West Africa.

That transportation cost has actually produced dramatic savings in how we supply the refinery and given Delta a unique opportunity to participate in the shale boom and the domestic production that we've seen that really nobody else has in the industry.

And that's leading to the strong performance – there we go – relative to the high-quality Industrial peers. I think this is a story – for those of you that have been following Delta for a few years, we set out this ambitious goal back in 2013, and we said we're going to compare ourselves differently. We don't want to compare ourselves to the airline industry because we do believe this time is different. Not to disparage our peers, we just think that the results of consolidation and the benefits that we've seen have actually really transformed the industry as a whole, and as a result, want to get to a measure that's really more consistent with the cash generation of the company as a whole.

So, we rolled out these goals initially in 2013, and what we found is that each and every year, we've taken them higher and higher. So the latest iteration of the plan for the 2015 to 2017 framework, as we outline it, is to produce a consistent operating margin of 14% to 16%. If you recall last May, we talked about a longer-term goal of 11% to 14%.

I think that created a lot of noise as people felt like that was a ceiling that we put on it. So what we're really talking about now is a 14% to 16% view that's informed our long-term projections over the next three years as we look out and ultimately what's led to the capital deployment announcement that we made yesterday.

We believe consistently we'll be able to produce EPS growth north of 15%, which is obviously going to stack up very, very well against the S&P Industrials. A return on invested capital of 20% to 25% over the next few years, which corresponds to the goal that we had last year that we had talked about 15% to 18%. Obviously, a lot of tailwind and a lot of benefit in there from a lower fuel price environment, even though long term we plan for higher fuel prices.

That's a consistent mantra, if you will, that Delta has undertaken as we've gone through our long-term plan. Because when you plan for higher fuel prices, you can never be negatively surprised. When you plan for lower fuel prices and you ramp up the organization with staffing or with growth plans, et cetera, it's hard to bring those back in a world where fuel starts trending higher.

So consistent with past plans, we've actually taken a fuel forward curve that is actually above the current forward curve that the market would say. So we've increased that by $0.25 a gallon each year above the forward curve through 2017. The reason for doing that is we've obviously seen a lot of volatility in that, but if we can operate and we can be successful, then we can set targets and goals on a higher fuel price environment. We'll be pleasantly surprised if we see fuel prices stay low – lower for longer.

All that results in a cash flow of about – operating cash flow of about $7 billion to $8 billion annually, yielding $4 billion to $5 billion of free cash flow against our $2.5 billion to $3 billion of annual CapEx spend. That is an increase, again, over last year, and part of what informs our ability to be able to make the commitments that we have to the dividend and through the buyback.

And then, probably most differently and fundamentally was the announcement yesterday of a $4 billion long-term net adjusted debt target. This has been a goal that had been moving and evolving as we've made progress against it, but we believe $4 billion is the right number for Delta because the interest expense, the debt targets, et cetera, put us in a position where we believe we're comfortably in investment grade metrics or comparable to investment grade quality Industrials. Whether we get the rating or not is still up in the air, but as we've said before, we don't want to overshoot simply to get an investment grade rating. It's enough for us to actually drive investment grade metrics similar to what our Industrial peers and counterparts have.

And that's how ultimately it informs our balanced view. I think this is probably one of the most important things that we have for the company as a whole because, look, we've got a lot of short-term interest and a lot of different disparate views, if you will, on what to do with the cash flow. But the balanced approach has actually served us really well because we need to reinvest in the business. Delta is not a company that is out of ideas or doesn't have ideas on how to grow the performance and grow the earnings of the company.

So we've got about 50% of our operating cash flow, $2.5 billion to $3 billion, is to be reinvested in the business. That translates to about 180% approximately of depreciation, showing that we're actually not only just replacing the sort of broader infrastructure of the airline, but we're also implementing in technology and also in modest growth and product improvement through that process, because we do have a lot of ideas.

This year, we'll spend over $300 million on technology alone to update our system, to improve the functionality and streamline the point of purchase – or the purchase path for our customers in order to help enhance revenue and make it easier to buy and to purchase some of these additional amenities and value points that we've talked about.

It does also allow for the replacement of about 20% of the mainline fleet over the next three years. I think one of the questions that we get frequently is this CapEx level is going to lead to a bow wave of capital spend in the future, that we're just snowplowing requirements and needs. But the reality is we're keeping pace. And over the next three years, we'll replace about 20% of our mainline fleet, and that will continue as we need to continue to sort of feed that in over time.

Strengthening the balance sheet obviously has been a big point for us. If you recall, when we started back in 2009, we had over $17 billion of net adjusted debt. We've reduced that by nearly $10 billion in the last five years alone, and feel like we can do another $3 billion over the next three years as we hit our goal.

And we're also committed to $1 billion a year in pension funding. The pension situation for Delta is a very unique one. It's unlike any other pension plan that you would analyze in corporate America, primarily because of the airline release in the 2006 Pension Protection Act. That allows us to fund according to a statutory 8.85% discount rate through 2024. That lowers our minimum required contributions, but we think it's part of the cash flow allocation because the pension is effectively a fixed income obligation of the company as a whole. We can shore – help to shore that up and get that to an 80% funded status, assuming no change in interest rates, by 2020. And we can do that by contributing about $1 billion a year, which already comes out of the free cash flow numbers that you've seen.

The reason for doing that is – as the 80% threshold, you greatly improve your flexibility and your optionality to help deal with that plan more permanently and more structurally. That plan is hard frozen, meaning that no – nobody is accruing any new benefits under that plan, and when you get to an 80% funded status, you can start to think about lump sums, early buyout options, and other tactical initiatives that several companies have taken advantage of over time. Due to our funded status, that's just not a consideration right now, but something that we can be building to over the next several years.

And then last, but certainly not least, returning cash to shareholders. As I said in my opening remarks, systematic return of capital to shareholders is the way to truly get valued in this industry for the cash generation capabilities.

Historically speaking, we've never been in a position where we've been able to return cash during the cycle, because what we've seen, if you look back, this is probably one of, if not the number one, favorite chart that I have over time, because I think in one place, it shows not only what was wrong historically with the industry, but how dramatically different it is today. Because the bars in the top chart are the capital spending, and this is just Delta and Northwest combined over time, and the red line on the top is operating cash flow.

So, you can see during the late 1990s and early 2000s when we were operating at peak operating cash flow, we were still driving leverage in the business higher, leaving no cash left for shareholder returns. And as a result, buybacks and dividends weren't really part of the equation at that time. Delta did a couple of buybacks at that time, but I would characterize them as being really event-driven.

We had one buyback that was tied to a sort of better-than-industry one-time fuel hedging advantage that we had in the late 1990s, early 2000s, and another buyback program that was tied to the returns that we got on the Priceline shares. But there wasn't a view and there wasn't a philosophy in the industry at that time about systematic return of capital to shareholders.

And what you've seen since consolidation has taken hold is much, much more balanced perspective that focuses on driving free cash flow into the business so that we can allocate in a balanced fashion for both delevering as well as returning capital to shareholders. And that gap has gotten progressively wider in terms of the operating cash flow and the level of investment over the last several years. And it's no coincidence that the debt level here is actually showing significant improvement at the same time that we're able to return cash back to shareholders. So, I think that is a strong testament to the vision and to the ultimate goal of the management team in what we've been able to do.

$4 billion is the new target and what we feel is the long-term target for net adjusted debt going forward. This is slightly lower than what we articulated last year, but one that we believe is permanent. So, the questions about are we going to go to zero debt, we believe $4 billion is the right number.

And the reason we believe it's the right number is for a couple of factors. Number one, the business can operate pretty solidly on investment-grade metrics. If you look across the board at cash flow to interest or cash flow to debt, those metrics stack up very, very well against the BBB Industrial universe.

Again, I'm not sure whether we're going to actually drive an investment-grade rating. That's up to the rating agencies to decide. But we believe that through consistent performance in that range, ultimately, that'll be recognized, which will help to free up more access to the capital markets and lower our overall capital cost.

The $4 billion also produces what we think is very close to the optimal capital structure from a WACC perspective. We're certainly getting to the level where paying down further debt is having diminished marginal benefit on the P&L overall as we've gotten our interest expense down to about 4% in terms of the on-balance sheet debt, 4.5%. That's down from about 9% just a few years ago as we've taken out a lot of that high-coupon debt and refinanced it in a lower interest rate environment.

So, further debt pay-down just isn't going to provide the juice, if you will, to earnings the way it has over the last few years. But getting to that $4 billion target is one that we think is important longer-term for the health and the sustainability of the business as a whole.

And during this time, we're also building a significant unencumbered asset base. Because of the cash discipline that you saw on the prior page, we're actually able to pay cash for airplanes, which is going to lead to a nice safety net, if you will, in terms of equity value on aircraft as we pay cash.

So, here's our announcement from yesterday. A new $5 billion repurchase program through 2017 and a 50% increase in the dividend will mean about $6 billion of total cash returned between now and 2017, which we feel is a very good number. That's at least – as we've committed 50% of our free cash flow, and as you've seen from our prior announcements, we've actually shown a propensity to accelerate that as we've seen better cash generation.

So when we started this process in 2013, the initial program was a $500 million repurchase plan over three years; we completed that in one year. Last year, we announced a $2 billion program over two-and-a-half years; we announced yesterday that we'll be completing that this quarter and beginning this new program July 1.

So, as cash flow comes in, we're committed to allocating that back, and you'll see similar actions over the next few years as we get more clarity and as we get through and actually generate the cash in a balanced deployment of capital as we complete this $5 billion program. Interestingly, if you look at our current market cap, this translates, when you look at the total package since 2013, of well over 20% of our total market cap being returned back to shareholders in dividends and buybacks from 2013 through 2017. So, clearly a commitment to doing that and demonstrating that with continued performance.

And you've seen that in our stock price, as we've outperformed not only the high-quality industrial transports in the S&P 500, but we've outperformed our airline peers over the last few years as well, and we believe this is a recipe for long-term continued sustainable success.

But there's still value to be found. Despite the fact that when you look at Delta compared to the S&P Industrials and the high-quality transports, whether you're looking at absolute free cash flow, EPS growth, return on invested capital or even shareholder returns now, we actually are superior to the averages of all of those indices, yet we still trade at a significant discount on a P/E basis, which we're working to change. We think over time, as we prove the sustainability of the model and we're committed to continuous improvement, we think that will ultimately change, and we look forward to seeing that happen with you guys alongside us.

So, thank you for that time. I believe we've got some time for some questions.

QUESTION AND ANSWER SECTION

Andrew G. Didora Q
Bank of America Merrill Lynch

Great. I think a little bit over five minutes to go here for some Q&A. So, you've made my – you've made this easy for me. So, I guess, Paul, I'll kick it off. Just the domestic market has obviously been an area of strength in this recovery, and it's an area that we actually continue to see some additional, you know, more outsized capacity growth coming, particularly from the low-cost carriers. I guess, one, does Delta feel the need to kind of respond to the added capacity from the low-cost guys? And then, two, look to get your view in terms of when you sense domestic capacity can be peaking here.

Paul A. Jacobson A
Chief Financial Officer & Executive Vice President

Right. Well, I think as we've said in virtually every public forum and private forum, our capacity plans are predicated on what Delta needs to do to be successful. So, where we see opportunities to grow the top line while improving margins and not disrupting the balance of the overall Delta system, we're going to do that. And that's really out of a core of capacity discipline and doing what's best for Delta.

So, I don't think we'll feel pressured into growing. I think we're focused, and I think our size and scale gives us an opportunity to be very individualistic as that and not necessarily respond in kind to a lot of capacity noise wherever you might see it. It's really just singularly focused on what we can do to grow our top line and to expand our margins and improve our cash flow.

Andrew G. Didora
Bank of America Merrill Lynch

Q

And just from kind of overall growth in the industry from a capacity standpoint, kind of, do you still see it continuing to grow at a pretty decent pace over the next few years, or do you think as we get through some of the kind of the retrofits and upgauging in the industry that you can kind of see some domestic capacity to kind of ease a little bit here?

Paul A. Jacobson
Chief Financial Officer & Executive Vice President

A

Well, I think that's a good point, Andrew. I mean, if you look at a lot of the capacity increases that you've seen, it's really come in a different form. And for Delta, it's been primarily focused on upgauging as we retired our 50-seaters and moved up into 76-seaters and 717s. We've improved the gauge on some of our narrow-body airplanes, improving seat density without jeopardizing the customer experience.

So, that capacity that has been added in a measured fashion has been very capital-efficient from that standpoint. It has helped to fuel what we've done both on the unit revenue line but also from a unit cost perspective. The efficiency and the operating leverage that we're able to drive through the business through that upgauging has been very, very beneficial.

Andrew G. Didora
Bank of America Merrill Lynch

Q

I guess, just the – the move in fuel over the last six-plus months and kind of, I guess, the hedge losses you guys have incurred to date, has this changed the way you think about your hedge strategy at all, and how are you – how do you plan – how are you positioned through the end of the year, and how are you thinking about 2016 now?

Paul A. Jacobson
Chief Financial Officer & Executive Vice President

A

Sure. Well, I think the environment has caused everybody to try to take a little bit of a step back right now. I think we've seen something amounting to really a fundamental shift in the way oil is priced and produced globally from that standpoint, which has caused us to take a step back. I wouldn't say that anything has changed in terms of our approach to hedging or how we think about it.

I think we are more cautious in the near-term because we do see a lot of volatility coming in. And as a result, our hedge book is actually positioned pretty well. We're about 20% hedged in the second half of this year. But more importantly, we have 80% to 90% downside participation all the way down to $45 a barrel. What we don't want to do is end up in a position where we try to overreact to a sell-off in the marketplace and go on and put long-dated multiyear positions out there. So similarly, 2016 is sitting at about 20% to 25% hedged, with similar 80% to 90% downside participation down to $45.

And the contango in the curve, the fact that we have to pay a higher price to hedge in the future than where the current market is, doesn't make it nearly as attractive as in years past. So we're focused really on the short-term, but we're being very cautious about how we think about that, especially in light of the rapid sell-off and what we've seen. There are a lot of fundamental changes I think in the way the oil markets are going to react, especially when you look at the cycle times and the ability for domestic shale production to ramp-up very quickly just as the drilling rigs have been laid down very quickly in response to the market changes.

Andrew G. Didora
Bank of America Merrill Lynch

Q

And, I guess, my last question – we only have about 30 seconds left, but just kind of wanted to ask you what inning you think we are in in terms of kind of the ancillary revenue opportunities out there, and how big of a role is kind of the technology behind the scene in terms of driving this?

Paul A. Jacobson
Chief Financial Officer & Executive Vice President

A

I think if you look at the airlines as a whole, they've lagged other companies who have created that value construct, but I think we're catching up rapidly. And the idea that not every seat on every airplane is created equally nor is every experience, and when you're looking at a Delta-style experience, there's a premium service that can be offered. There's a basic economy service that can be offered. And as we continue to ramp-up the technology and make it easier for people to see and make those decisions at the point of purchase, I think there's still a long way to go from that standpoint.

So, maybe late – maybe fourth, fifth inning, but there's no doubt maybe this will go into extra innings as you see that from a baseball perspective. But I think we've got a good trajectory in front of us. We've got a team that's focused on driving value, and then being as efficient as we can with our shareholders' capital. So, we're excited about the future.

Andrew G. Didora
Bank of America Merrill Lynch

Great. Well, it looks like we're out of time here. I wanted to thank you, Paul, for everything, and appreciate the thoughts today.

Paul A. Jacobson
Chief Financial Officer & Executive Vice President

Thank you. Thanks, everybody, for joining us.