Elementia 2Q19 Conference Call Transcript

Operator: Good morning. My name is Ashley and I will be your Conference Operator. At this time, I would like to welcome everyone to Elementia's Second Quarter 2019 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. There will be a question and answer session after the speaker's opening remarks and instructions will be given at that time. Thank you. I will now turn the call over to Mr. Alfonso Molina with Elementia's Corporate Treasury. Please go ahead.

Alfonso Molina: Good day, everyone and welcome to Elementia's Second Quarter 2019 Earnings Conference Call. Joining us today is Chief Executive Officer Fernando Ruiz Jacques and Chief Financial Officer Juan Francisco Sanchez Kramer. Please be advised that this call is for investors and analysts only. During this call, they will be discussing Elementia's performance as per the press release released yesterday. If you do not receive the report, it is available on the company's website in the Investor Relations section. All figures discussed today are in Mexican pesos unless otherwise stated. All growth comparisons related to the corresponding period of last year. Let me remind you that forward looking statements may be made during the conference call. This is based on information that is currently available and are subject to change due to a variety of factors. For more detail and complete disclaimer, please refer to the earnings release. With that, I'll turn the call to Fernando.

Fernando Jacques: Thank you, Alfonso. Thank you, Ashley. Good morning, everyone. Thank you for taking the time today to be with us to discuss our results and the status of our spinoff process. At the midway point of the year, I'm encouraged by Elementia's performance as it demonstrates that the proactive actions we have taken helped us to better...to be better prepared to face the challenging business climate. I will go through each of our business lines and the progress of the steps taken. But I want to start with the main takeaways for the second quarter 2019 results. Then Juan Francisco Sanchez Kramer will give us an update on the spinoff process.

So, the extraordinary recovery achieved in both Cement USA and Building Systems with positive results for the third quarter in a row, were not enough to offset the Cement Mexico and Metals results that were affected among other things by the market contraction in Mexico and the cost of raw materials respectively. As so, on a consolidated basis, we posted declines of 9 and 10% in revenues and EBITDA year over year. However, when compared to the first quarter, our net EBITDA reflects an improvement of 11%, thanks to the strong performance of both Building Systems and the US Cement business.

So now, I will take you through the performance of each business unit. Starting with Cement Mexico, here we experienced a 17% decline in EBITDA mainly driven by the continued market contraction reflecting lesser economic activity in the construction sector, which is generally more sensitive to economic downturns than other economic sectors; and of course, an increase of competition from other producers. However, the proactive steps we took in building a grinding facility in Yucatan to develop and penetrate the Southern market has helped to mitigate the contraction in the market since we are sending volume to the region in order to prepare the market in advance to startup of the project, which is expected for first quarter 2020. We expect that this demand trend might remain for the rest of the year.

Let me now turn to Cement USA where we registered a 173% increase in EBITDA versus last year. As you know, we had the plant stoppage in South Carolina in the second quarter of last year, but I'm pleased to report that we have successfully recovered our customer base thanks to our effective redundancy plan and operation stabilization. The cement market in our three regions remains strong with demand growth being the highest in the south. In the mid-Atlantic region, heavy rains delayed some projects and in the north we faced higher competition since the fourth quarter 2018. However, we expect that the US market as a whole will remain a positive contributor for the rest of the year.

Going to Cement Costa Rica, operations are in full swing and posting outstanding results. This unit contributed 27 million in EBITDA for a 26% margin. This proactive step in the diversification of our cement business to underserved areas with growth potential is another example for a successful strategy. As a result of the mixed performance in cement, consolidated EBITDA for this division was flat year on year.

Moving now to metal products business, EBITDA declined 77% as a result of the following factors. First, we continued to have tough comps as you saw in first quarter 2019. Last year during the first half we were gratefully benefited from the upward trend of copper prices and the depreciation of the Mexican peso. This meant that we were buying copper at a lower level than we were selling it.

However, this year we've had the reverse effect. To help mitigate this, we continued to reduce our inventory levels by more than 30% for our peak point. This is also impacting results since we are using some more expensive layers of inventory. Second, the construction market contraction in Mexico also affected this business impacting not only volumes but also margins. To partially mitigate this effect, we continue focusing on higher value add products. Third, we are buying our raw materials at a higher cost; mainly due to the limited availability in the market.

Fourth, due to the aggressive competition that remains from Chinese companies in Latam, we've taken some of our products off of the market, therefore losing volumes. Also, the threats of the US tariffs escalating in retribution for illegal immigration issues halted US sales together for almost ten days in this quarter. On top of this, we still have side effects from the high turnover in our workforce, stemming from the automotive industry demand for skilled labor. Among many things, we implemented a salary increase and improved benefits packages in our operations.

We recognize the challenges we continue to face in this business and are undertaking the necessary measures to best address them. Such as: reducing our conversion periods, inventory levels, head counts, and SKUs while improving and increasing our operations and sales abroad Mexico, respectively.

Last is our Building Systems division, whose consolidated EBITDA was up nearly 70% as we reported the third consecutive quarter of outstanding EBITDA growth in both regions; up 7% in the US and 175% in Latam. In the US, the Indiana plant is contributing positively, having reached the breakeven point at the end of 2018. Our fiber cement products are having a tremendous success in the growing cladding segment and the preference for our products over the alternative remains strong. The 2% decline we reported in the US net sales was due to a logistical problem in supplies from Central America, which has since been corrected. However, our focus on higher value added products contributed to our improved...Sorry, we had some technical problems.

I'm going back to Business Systems Latin America...is where we left. So regarding this business division, we posted another quarter of profitable growth thanks to the improved sales mix and control over the new technology which was reflected in much better cost levels and the savings generated by the rationalization and right sizing of all operations. We expect positive effects to continue the remainder of the year. In closing, I want to reiterate that Elementia will continue pursuing its strategic growth path for each business while the reorganization is underway.

So, in Cement Latam our eyes will be on growth and expansion through both the new business model and the traditional business model. Nevertheless, it is important to highlight that we remain committed to delivering results with or without the spinoff. In Cement US, our priority will remain in stabilizing our operations, recovering clients, and continuing the path to recover our fair market share.

In Building Systems Latam we will remain focused on recovering profitability and making the necessary changes to maximize our capacity utilization rate by reducing business complexity, continue improving the operations with the new technology, and higher margin products. In Building Systems US, our efforts will go towards further ramping up the Indiana facility, implementing cost efficiencies, achieving a profitable product mix, and developing the modular repair and remodeling market.

And finally, in metal products we will continue reducing our exposure to copper and exchange rate volatility, improving our operations, and normalizing our raw materials supply.

With this, I conclude my remarks and now turn the call over to Juan Francisco Sanchez Kramer for further details on our financials. So please, Juan Francisco, go ahead.

JFSK: Thank you, Fernando and hello everyone. Before going into the spinoff process, I would like to make an announcement. Alfonso Molina, that has recently joined the company as Treasurer, has also taken responsibilities for investor relations.

Now, going into the spinoff process, last week we held the next shareholders meeting and received approval to continue with the process. Let me remind you that the spinoff implies that the shareholders' structure does not change. It can be summarized as a copy/paste of the shareholders from existing company to the new co.

This means that for any share any investor has in Elementia, he or she will receive a share of the new co. The splitting company will keep the cement in business and later will be named as Fortaleza Materiales and the spinoff company will hold the Building Systems and Metals business and will be named Elementia Materiales. Regarding management changes until execution, all management and restructures and reporting channels will remain the same. Once the spinoff is executed, Fernando Ruiz will lead Elementia Materials and Jaime Rocha will be leading Fortaleza Materiales. Management will continue to perform under the same business principles.

On corporate governance, we will maintain substantially the same proportions in the board of directors of both companies. The controlling shareholders remain committed to both companies and as of today, there is no intention to either decrease or increase their current ownership.

Now, let me spend a moment on explaining how the cross guarantees work. As you know, within the existing credit facilities, some of the subsidiaries are the guarantors. By law in Mexico, whenever there is a spinoff, the guarantees remain for three years. As part of the split, some of these guarantors will be a spinoff to the new co but they will remain guarantors of their mother company.

In the same way, considering the distribution of the outstanding debt in an 80/20% basis, the new co will be born with debt that has guarantors that will remain in the mother company and they will remain guarantors for the new co. Regarding timing and based on the way things are now, we expect that the spinoff might be executed by the end of September or beginning of October.

Let me know turn to a review of our consolidated figures.

During the second quarter of this year, our strong performance in the US cement and building systems in both regions, the US and Latam, were not enough to have set the declines experienced in Mexico cement and metals, where we continue to see the effects of a soft Mexican economy among other factors. Consolidated revenues decreased 9% and EBITDA by 12% versus the same quarter of 2018. In terms of the EBITDA margin, this remains at a stable 14% compared to the second quarter of 2018 mainly due to the combination of our focus on a more profitable sales mix and cost cutting the initiatives.

Going to cash flow, we generated close to 140 million from working capital which is a decrease from the one generated in 2018 as expected. Our income tax rose by 130% in the first half of 2019, mainly as we have run out of the fiscal shield for the cement operation in Mexico. Financing costs improved by 24% versus the same period of last year, reflecting a stronger management of working capital that yields lower interest costs as well as the benefits of our hedging strategy, to mitigate exchange rate situation. Free cash flow before Capex represented 51% of EBITDA. In terms of our balance sheet, at this time 43% of our gross debt is in US dollars, was 71% is at fixed rates, which offer us a better stability with regards to the exchange rates and interest rates fluctuations.

Additionally, 94% of our debt is long-term and I want to point out here that Elementia's total net debt did increase slightly, given the reduction in cash and cash equivalents. However, we are in full compliance of our financial covenants given our coverage ratio for the last 12 months of 3.68 times and an interest coverage ratio of 2.71 times. Lastly, we adopted IFRS 16 beginning January 2019, which increased our assets and liabilities and in the income statement it is reflected in the depreciation. These figures were not considered in 2018.

At this point, I want to ask the operator to please proceed with a Q and A session. Thank you.

Operator: At this time if you would like to ask a question today, please press the star and 1 on your touch tone phone. You may remove yourself at any time by pressing the pound key. Once again, to ask a question that is star and 1. And we'll pause a moment to allow any questions to que.

And we'll take our first question from Nicolaj Lippman with Morgan Stanley. Your line is open.

Nicolaj Lippman: Thank you very much and thanks for the call, gentlemen. Two questions if I may. First on the US fiber cement business. You are proving profitability, but it appears that the volume growth and industrial capacity utilization is still fairly low. I know weather was a bit of an issue but is there any color that you can provide with regards to sort of, your expected second half volume growth in 2019 and also, your strategies to get there? That's number one. Number two, and very quickly...on Mexican cement, can you provide any comment on demand in Mexico both versus black cement and would it be correct to assume that there's a degree of decoupling between the two with both materially under performing in the black market? Thank you very much.

JFSK: Thank you, Nicolaj. Regarding your first question on building systems US, we have as you have pointed out, improved profitability. That was one of the key targets. As you pointed out, volume was not and sales were not growing as we expected and the main reason is we have a logistics problem on the volumes coming from Central America. That is at the ports. We have some issues that have been solved and volume is flowing now. Nevertheless, it affected the second quarter. We are still ramping up the Indiana facility. It has since the fourth quarter of last year, achieved its breakeven point and now it is in contribution of profits. So, going according to plan.

Fernando Ruiz: And expanding on that Nicolai, also we've been very careful and we have analyzed thoroughly the profitability per product, per client in the US operations. So something very similar to what we performed in Mexico, so we stopped some sales that were not...that did not have the profitability that we were looking for.

Nicolaj Lippman: But bottom line, you feel the demand is still very strong in the US and you would expect...would it be fair to assume that you would expect the positive volume growth for the second half and could you provide any kind of color in terms of the magnitude? If it's a mid-single digit or above or below that?

Fernando Ruiz: I believe the demand is there. The used market is performing quite well. As Juan Francisco stated a few moments ago, we had this supply issue from material that we sent from Central America that compliments our offer in the US. So that's why it affected us, part of the volume. This problem has been solved already. So yes, we see a high single digit growth for the rest of the semester, volume wise. Regarding your second question, Juan Francisco, do you want to address it?

JFSK: Sure. If I understand it correct, it was color on the demand for cement in Mexico. As we have mentioned, the market is contracted. We are not seeing signs of reactivation, so our expectation is that it will remain fairly the same for the second half. And we have better expectations for next year depending on microeconomic conditions.

Fernando Ruiz: But you might see something very similar or a bit below the second semester of last year, Nicolaj. That would be our expectation.

Operator: And we'll take our next question from Cecilia Jimenez with Santander. Your line is open.

Cecilia Jimenez: Yes, hi guys. Good morning and thanks for the call and for taking my questions. I have actually two questions, both related to Mexico cement. The first one, in terms of EBITDA for the division it was down 17% in your case versus 10% volume decline for the market. So my question is...is the additional deterioration only coming from higher expenses and costs in energy or are you already seeing cuts in prices? That's question number one. Then the second question has also to do with one of the opening remarks Fernando did. Specifically, you mentioned higher competition in Mexico cement if I understood correctly. So my question is, where is it coming from? Is it from local players, Mexican players, or is it coming from foreign players based in Mexico? Those are my two questions, thank you.

JFSK: Thank you Cecilia, and nice hearing you. Yes, EBITDA was 17% below last quarter or the second quarter of last year. This is because of a combination of costs on the energy mainly, freight, because we are now reaching more distance from our facilities that are basically in the state of Hidalgo. And also, there is...because of the higher competition has some impact on pricing. On that regard, let me remind you that we remain committed to our strategy that is premium quality, premium brand, and highest quartile of pricing. Also, something else is affecting and that is the mix of bulks and bags that have had some impact on our pricing…overall pricing. On the question of higher competition, what we mean is that given the market is contracted, all players are kind of say, fighting for the volume and that is what we meant. There is no imports reaching the central part of the country that we have seen.

Cecilia Jimenez: No, thank you. I wasn't thinking about imports but increasing competition in terms of pricing. So is it fair to assume at this point that we are not seeing price contraction yet or not?

JFSK: I mean, we are not. It depends on regions, segments, bulk, bags etcetera, etcetera. Now let me do some emphasis on energy. As you remember, the first half of last year we had the lowest rates in more than ten years and in the second half of last year, energy costs increased close to 50 or more than 50%. That is the level that we're still seeing and of course, it is affecting the cost. As you know, cement is energy...that makes it solid.

Operator: We'll take our next question from Jamie Nicholson with Credit Suisse. Your line is open.

Jamie Nicholson: Hi, thanks so much for the call. My questions relate to your debt and particularly the implications of the spinoff. I have a couple questions. First is regarding the rating agencies which have you on 'watch negative' based on uncertainty about the structure following the spinoff. Have you had recent discussions with them on the structural issues? Is there any update you can give us? And also, they cited your leverage ratio which has picked up a little bit this quarter. I'm wondering if you have any update on what targets you're trying to achieve by year end or what targets you need to avoid downgrades. Thank you.

JFSK: Thank you, Jamie. Yes, I mean we've had those discussions with the rating agencies since we began with the spinoff process. From there, they issued their market watch that was in summary negative. We have had some other discussions with them. The market watch remains until now... There is a scenario in which it might change but it is not clear yet, so I'd rather not go into there. On your second question that is the leverage ratio, yes it has remained fairly stable or increased a little bit. As we mentioned, we are still targeting to be in the range of 3.5 times by year end and considering the spinoff, as we've mentioned we are planning to split the debt in an 80 to 20% basis. 80% will remain in Fortaleza Materiales and 20% in Elementia Materiales.

On a proforma basis, this means that for the Fortaleza Materiales the leverage ratio was close to 4.2 by year end 2018 and we believe that it can go down to some 3.5 to 3.7 by year end 2019. In the same way, Elementia Materiales proforma basis was close to 2.2 times and we believe that it can go down to some 1.7, 1.6 by year end 2019. Now it is important because of these cross guarantees that we will be still issuing the combined metrics, that is according to the discussions we have had with the banks and different financial advisors, that will be the best approach.

Jamie Nicholson: Okay. Thank you for that. Just to clarify, the cross guarantees stay in place for three years and then will they fall away and it will be standalone credit metrics? And also, just to confirm, your bond is going to be at Fortaleza and Elementia will remain there, right?

JFSK: Yeah. Let me do some clarification on the cross guarantees. I mean, by law in Mexico it is three years but we have decided to extend the cross guarantees for the lifetime of the bond that is roughly five years. So, the bonds will stay in Fortaleza Materiales and the new co or Elementia Materiales will be a guarantor of that facility.

Jamie Nicholson: Okay, thanks. Just one final question. Have you received all the waivers and consents that you need for the spinoff from your banks and what is remaining in terms of consents, possible consents you need from your bond holders?

JFSK: We are in the process for both, so we haven't... I mean, we have had discussions with the banks and we are... I would say, in agreement but it is not in writing yet. And one of the reasons is the new co hasn't been born so we cannot sign in a company that does not exist yet. With the bond holders we are still analyzing several alternatives to get the agreement, so we believe that we can disclose that in about a week or two.

Jamie Nicholson: Okay, great. Thanks so much. Thanks for the call.

JFSK: Thank you, Jamie.

Operator: We'll take our next question from Eduardo Altamirano with HSBC. Your line is open.

Eduardo Altamirano: Hi gentlemen, thank you for taking my questions. Just a little bit further into the environment in Mexico. Are you expecting any sort of increase in your relationship with any sort of government contracts that you may be entertaining at one point or at least sales to the government, either with cement or other building divisions?

Fernando Ruiz: Eduardo, thank you for your question. For the moment, we don’t. Historically how we managed this is we've done all these sales through our distribution force. So we basically never sell directly to the government, so we do not foresee it in the near future.

Eduardo Altamirano: All right. Then are you taking on any steps to mitigate the impact of lower cement sales? For example, are you increasing your marketing expenses or are you seeing some sort of increase in the competitive environment whether it's maybe a breakdown in terms of let's say...a little bit more of a friendly environment where no one's been overly pushing on the price levers too hard lately? If you can give us a little more color on the competitive dynamic right now.

Fernando Ruiz: Sure. What I can tell you is that we're working extremely in our costs and our expenses. We have put a plan that has... We foresee this situation more than a year ago and we've been working a lot to lower considerably our expenses and costs. So we have been working on this. Likewise, regarding the marketing expenses, we are really taking into consideration where we're putting our monies and we're being very careful to make sure that every dollar that we spend in that sense gives us the right return on investments.

JFSK: In other words, we are taking basically the same steps that we take for Capex investing, for many of the expenses. Among them, marketing and in summary, we are targeting where we are shooting or putting our bullets.

Eduardo Altamirano: Excellent. Then in terms of the general competitive environment, if you could just shed some color on that.

JFSK: Sure. As we mentioned, the market is somehow contracted. There is not a strong demand as we have in the first half of last year so everybody is looking for opportunities to capture more volume; and that happens for cement, for building systems, and for metals. We don't really see a trigger that changes that in the short-term and as we mentioned, we believe that the market dynamics will remain fairly the same for the second half of the year.

Eduardo Altamirano: Excellent. All right, thank you very much gentlemen.

JFSK: Thank you.

Operator: We'll take our next question from Anne Milne with Bank of America. Your line is open.

Anne Milne: Okay, thank you very much for the call today. First I would also like to say that a number of my questions have been answered. I would like to thank Jamie Nicholson for her questions on debt, and I'd like to thank you for your very clear answers because those were some of my questions. I guess the final one that wasn't answered was, could you just remind us again of in Mexico on cement, what is the breakdown of the customer base between housing, formal and informal, industrial, and infrastructure? And I guess maybe if it's housing which is the main market for you, is the driver GDP growth, is it other factors...could you help us understand the dynamics of that part of the market? Thank you.

Fernando Ruiz: Sure. Thank you Anne, for your question. I would say we are more targeted to the do it yourself market, which has been our strategy from the very beginning. This market, they... I mean, the index that you can look at it, of course, the GDP growth but also the remittances. The remittances can give you a good idea of how these customers can perform. So, Juan Francisco, I don't know if you want to expand on that.

JFSK: Yeah, I mean as Fernando mentioned...basically we are focused on the do it yourself that is more linked to bags and therefore, we have very little exposure to big projects, infrastructure projects. And as Fernando mentioned, because of that we have little to no relationships to government projects, or we haven't until now. To your question on how the demand comes from or where...gross numbers and do it yourself or self-consumption is about 60%. I mean, private projects medium sized is roughly 15%. Ready-mix is roughly 20% and government projects is the remaining roughly, 5%.

Anne Milne: Okay, very good. That's very helpful. Thank you very much.

Juan Kramer: Thank you, Anne.

Operator: We'll take our next question from Elizabeth Gunning with Prudential. Your line is open.

Elizabeth Gunning: Hi, thank you very much for the call. I had a question about your metals business. You commented earlier that you plan to minimize your exposure to copper, stock prices, as well as foreign currency moves. Could you just elaborate a little more how you plan to do this?

JFSK: Sure. Hi Lisa, thank you for the question. As you know, copper is pretty much related to the commodity international price and because of that, there are fluctuations in pricing. Also, since we report in pesos and the base is dollars, we have also exposure to currency fluctuations. Last year we faced several problems, one of the main problems we faced was high labor turnover...that led to several problems like higher maintenance, longer time to do the maintenance, less available of course of qualified working force. Because of that, the machines were not utilized in the best or proper way. And again, that leads to additional maintenance. To solve that, we took several steps and this comes along also with reducing the exposure to the fluctuations that I mentioned on copper and currency exchange.

So for once we did salary increases to retain people. Not only in monetary ways but also emotional salary. So we're increasing benefits and things like that, we are attracting different sectors of the population, and a lot of things there. And we believe that we have done some progress. Because of that, last year we faced incremental inventory levels that increased our exposure to fluctuations. We have had reduced more than 30% of inventory levels in order to reduce that exposure. Also, we are again, making a SKU reduction to focus on the more profitable SKUs and the ones that we have defined as core.

Because of that, we have also reduced inventories and improved our conversion time. Now on reducing the inventories, we have also faced that we are using more expensive layers of inventories that were not used for some time and that is also effecting our costs. On top of that, we are trying to improve our logistics and demand programs to be more in a... I lost the words, but we're trying to improve the time frame in which we agree to deliver to customers, to the ones that we actually deliver the products. On top of that we are analyzing options to make hedges on both currency exchange and commodity hedging.

Fernando Ruiz: Elizabeth, Just complimenting Juan Francisco's answer... From an operating side, he mentioned many but I think we are also considering investing capex for operational efficiencies. We have a good opportunity there. Also for capex for operational stability. Also for better raw material yield and most important of all, to be able to produce value added products. We think and we see a great opportunity in the fittings. Today we are sold out here so we see a great opportunity there.

And from a strategy standpoint, I think we can integrate upstream to value added products such as the fittings that I was talking about. But likewise, I think we have a great opportunity by simplifying the business just as we did in building systems. So as Juan Francisco was saying, with less SKUs, stop producing those products which are not profitable enough and so on, so forth. Likewise, we see a tremendous opportunity in exports taking profit of this situation that today there is between the US and China. We believe there is a nice opportunity for us.

Last but not least, commercialization. We want to profit from our brand, from our channels, distribution channels. We began this effort a year ago and have proven to be quite successful. Today we're moving a nice chunk of tons with basically no investment other than the working capital and the margins are quite interesting. So we're taking many different initiatives, such as what we did in building systems. So we still foresee a third quarter...a complicated third quarter for metals. But from the fourth quarter, you will see an interesting turnover. I hope we answered your question, Elizabeth.

Elizabeth Gunning: Yeah, you did. Thank you. That was actually extremely helpful. I do have a follow up question. On the hedging of FX and copper prices, it sounds like you currently don’t hedge anything? Is that correct or are you hedging anything right now and if so, how much do you plan to increase it?

JFSK: Sure. I mean we had a hedging mechanism that is hedging roughly 20% of the renewal of the inventory levels and it goes very smoothly throughout the month with a very steady volume per day. It is working according to the expectations. Nevertheless, we believe that we can fine-tune that and trying to link really from the buying day to the selling day, and by doing so we can increase our coverage and reduce the exposure. So we have something in place but we are analyzing ways to improve it.

Elizabeth Gunning: Okay, and it sounds like you're trying to do some kind of just in time inventory deliveries. Is that correct or am I not understanding that correctly?

JFSK: Yeah, that was precisely the idea. Nevertheless, there is a conversion time that we have to fine-tune and logistics to fine tune. We are doing so. We are improving or making changes in our distribution centers, etcetera. So yes, that is the idea.

Elizabeth Gunning: Okay, thank you.

JFSK: Thank you.

Operator: Once again if you would like to ask a question, please press the star and 1 on your touch tone phone. We'll pause another moment to allow any questions to que. It appears we have no further questions at this time. I will turn the call back over to Fernando Ruiz Jacques. Your line is...go ahead.

Fernando Jacques: Thank you, Ashley and thank you once again in your interest in Elementia. We will do our best to keep you updated on the progress of our spinoff in the months ahead. So let me just close with these final remarks.

In building systems, continues to perform and it is fast to recovery. This is the third quarter in a row of better results and in our opinion, this already represents a trend. Regarding Cement USA, here it is showing a recovery of our customer base and the stabilization of the operations. The Mexican market is contracted and it's effecting our business, mainly cement and metals, and we expect this to remain for the rest of the year.

Elementia will continue its proactive approach to generate value for its stakeholders. And last but not least, we continue analyzing the possible outcomes of the spinoff, being our main objective to create and free up value for our investors. So, having said that...that concludes our call.

Please feel free to contact me or Juan Francisco if you have any further questions. Have a nice rest of the day.

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